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# China Report

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1 November 1985

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1 November 1985

## NATIONAL POLICY AND ISSUES

## JOURNAL ON URBAN, RURAL ECONOMIC INTERFLOW

HK150623 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 85  
pp 76-80

[Article by Liu Gong [0491 7255], Zhong Chengyi [6988 2052 5030] and Wang Jiongming [3769 3518 2494] from the Investigation Research Office of the Prefectural CPC Committee in Xinzhou, Shanxi Province: "Brief Notes on Comprehensive Economic Interflow Between Urban and Rural Areas"--completed in May 1985]

[Text] Following thorough-going changes in the rural economic structure and the overall development of the urban economic reforms, a new urban-rural relationship is gradually forming.

## I

The contents and forms of urban-rural relationships are conditioned by the development of the social productive forces and the nature of the relations of production. The establishment of our nation's socialist system basically eliminated the economic base of capitalist society, where urban areas and rural areas were opposed to each other. However, because of the level of development of the productive forces and various other causes, our nation's urban-rural relationships have been deeply marked by two characteristics: First, our nation's urban industrialization is being carried out on a base where the urban and rural commodity economies are not developed. This is completely different from the base on which the modern industrial cities of Europe and the United States were built. Also, the self-sufficient and semi-self-sufficient rural economy relies little on the urban economy, which has resulted in the urban economy and the rural economy being closed off from one another. Second, since the founding of the PRC, our management of the urban and rural economies has mainly depended on administrative methods. When this administrative management was mainly carried out by departments, it resulted in divisions between departments, and when it was mainly carried out by regions, it resulted in chasms between regions. There were sharp divisions between the departments and regions and this directly affected the regular dealings between the urban and rural economies. Thus, interflow between the urban and rural economies has for a long period been hampered by the narrow limits allowed by state control over industrial products going to the rural areas and agricultural and sideline products entering the cities.

A planned commodity economy requires that the productive forces have full vigor and the largest possible operating sphere. The nature of the commodity economy will not tolerate any blockades or barriers between the urban and rural areas. Thus, following the development of the urban and rural commodity economies, and the overall development of the reform of the urban and rural economic structures, both urban and rural areas are anxiously looking forward to an expansion of interflow between the two areas. They are looking forward to a reform of the old structure of urban-rural interflow and to a change from the old unitary avenue of material interflow between urban and rural areas to a comprehensive interflow in all production spheres and all production links involving the important production factors such as goods and materials, funds, personnel, technology and information.

The development of commodity production in the rural areas has put forward a series of new demands on the urban economy: 1) In order to raise the commodity rate for agricultural and sideline products, the peasants have asked the cities to supply them with mechanized equipment, fertilizer, fodder, science and technology and all sorts of information. The peasants also really want to expand the sales market for their agricultural and sideline products and to raise the ability of the cities to take in, consume or collect and distribute agricultural and sideline products. 2) In order to develop processing industries for agricultural and sideline products, the peasants want the cities to help resolve the problem of severe lack of equipment, technology and trained personnel, so that they can as quickly as possible, expand the range of processed agricultural and sideline products, and improve the precision and depth of their processing. Also, they want the industries engaged in initial processing of agricultural products which were originally established in the urban areas, shifted to the rural areas, to provide convenience for the peasants in selling raw materials for agricultural products. This will also assist in providing post-processing wastes to the animal husbandry industry at a cheap price, and will be of benefit in realizing a fine cycle in the agricultural economy and in raising economic results in agriculture. 3) In order to transfer surplus labor and surplus funds in the rural areas to the nonagricultural economy, the peasants want the cities to provide all sorts of support and assistance in terms of production, technology, exchange and information services, so that they can engage in nonagricultural economic activities. Also, they require that the cities, through various forms of coordination and joint operations, carry out product diffusion and industrial transfer so as to provide more scope for the peasants to become prosperous. Apart from this, in the process of economic opening-up the peasant's field of vision is daily growing wider. The peasants hope that the cities will act as "transfer stations" and observation posts in further opening up the rural commodity economy. This will on the one hand provide avenues for outside sales of rural commodities and for importing talented personnel and technology and, on the other hand, will provide convenience for the peasants in gaining an understanding of trends in domestic and international markets and in obtaining all sorts of information.

The reform of the urban economic structure is also making many new demands on the rural economy: 1) After enterprises have attained autonomy and been



enlivened, there is the requirement to resolve the contradiction between the expansion of reproduction by urban industrial enterprises and the many restricting factors. In order to speed up the pace of technological transformation in enterprises, reduce the length of the equipment renewal cycle, and increase the capacity of enterprises in terms of producing and processing "high-grade, precise, and advanced" products, urban enterprises are requiring that initial processing of technical products, and the relevant equipment, be shifted to rural areas, or simply that rough processing of products and spare-part processing be spread out to the enterprises in townships in the rural areas. Those enterprises which directly use products of the rural areas (including agricultural, forestry and animal husbandry products, as well as mineral products) as raw materials, are requiring that instead of supplying raw materials, the rural areas should be supplying initially processed products, so as to improve the enterprises' production conditions and reduce transport costs. 2) The demand to resolve the contradictions between urban enterprises' production and sales. Urban reforms have expanded the role of the market in the regulation of the urban economy. For some products of urban enterprises, the state is no longer the sole sales agent. Thus some enterprises are producing more than they can sell. The enterprises are not able to satisfactorily shoulder the load of such operations and the only way out is to restrict production to maintain a balance between production and sales. At the same time, competition is naturally forthcoming from those flourishing industrial enterprises in the rural areas which are producing the same types of products as the urban enterprises. This puts great pressure on sales of products produced by the urban enterprises. In order to resolve the production-sales contradiction, the urban enterprises require an expansion of sales markets for industrial products in the vast rural areas. Timely feedback of various economic information from the rural markets will improve the ability of the enterprises to meet emergencies. Thus, it will be possible to establish relatively stable business relationships with these rural township enterprises which supply goods and this will, to a great degree, reduce "blind competition." 3) A demand to draw support from the rural areas' strengths in developing tertiary industry in the urban areas. At present, in developing tertiary industry, the cities have many weak links in terms of labor, funds, and the industrial structure. However, in the rural areas more and more surplus labor and surplus funds are appearing, and in the reforms, these areas have accumulated many successful experiences. Thus, the cities are yearning for peasants to enter the urban areas to develop commercial and service industries. On the one hand this will make good the urban deficiencies in this regard, and on the other hand, it will bring the fresh atmosphere of the rural reforms to the cities, and this can be used to promote the overall urban economy and allow reform to be carried out more deeply.

Over 100 years ago, Engels put forward the idea of "blending the urban and rural areas."<sup>1</sup> The mutual demands put forward by our nation's urban and rural economies in the course of reform shows the glorious prospects for a new relationship between the urban and rural areas where there are economic

<sup>1</sup>See Engels: "Anti-Duhring" in "Selected Works of Marx and Engels," Vol 3, p 335.

alliance, mutual markets and mutual bases, mutual dependence, mutual support, equal benefits and common prosperity. This reflects the objective, inevitable trend in the course of overall reform of the urban and rural economies whereby new mechanisms for the mingling of the urban and rural economies will be established and comprehensive economic interflow between the urban and rural areas will be achieved.

## II

Achieving comprehensive economic interflow between urban and rural areas does not simply mean expanding the amount of interflow between transverse sections. The vertical interflow forms will also be different from the unitary material convection of the past when state commerce was the only hub of contact. Comprehensive interflow refers to large-scale organic combination between urban and rural areas, where the urban and rural production forms are all internally separated and rely on a large number of channels and hubs of contact. The process of comprehensive interflow is also a process by which the important factors of the urban and rural productive forces are interwoven, fused together, and reconstituted. At present, all areas, in establishing new urban-rural relationships, are doing much experimentation and exploration in terms of comprehensive urban-rural economic interflow. They are initially forming all sorts of industrial, commercial, financial and information economic networks. New forms of joint urban-rural enterprises have appeared, including those which have production-sales relationships, those which link specialties, those involving compensation trade, those involving technical cooperation, and so on. These types of interflow forms can basically be divided into three categories based on their different hubs of contact and interflow channels:

The first category is those loosely structured forms which have the urban and rural comprehensive trade markets as their contact hubs. Following the deepening of the reform of the urban-rural circulation system, various areas have established trade centers of various types. Many of the trade centers have already broken through the normal scope of commodity exchange and are developing toward technology, information, labor services and other such wider market spheres. This has resulted in the trade centers having many economic functions. They are not only centers for selling industrial products, but places for information interflow, the sale of technology, and for discussing business. This type of comprehensive trade center, with its many functions, is an important form of the socialist unified market, brimming with vitality. It draws together the various factors of production from the urban economy and the rural economy, after which comprehensive interflow, with exchange at equal value takes place on a voluntary basis. This type of comprehensive interflow is, in substance, expanded commodity exchange.

Comprehensive trade centers are pluralized circulatory organs. Those who participate in the centers' activities include commercial departments and production departments, whole-people ownership units, collective units and individuals, as well as urban people and rural people. However, the establishment of regional economic centers of this type depends on large or medium-size cities. Thus, the small surrounding towns establish various

types of business networks, in accordance with their different activities and their channels of circulation. This forms a comprehensive urban-rural interflow network.

The second category is the close structure which has various types of urban-rural combinations as contact hubs. In the urban and rural economic reforms all sorts of urban-rural economic combinations have appeared in large numbers. Some are combinations based on an industry. That is, urban and rural enterprises which produce the same type of product institute links and open up markets together so as to reduce blind competition and raise product quality. Some organize a production line around a key product. That is, an urban enterprise functions as one end of the production line, while a county-managed or township enterprise functions as the other end, thus forming an enterprise colony. Some urban-rural cooperative combination enterprises are formed in accordance with the whole process of commodity production and sales. For example, the product development, product quality supervision, and product sales are carried out in the city, while the actual production of the products is done in the rural areas. Still other forms center on developmental production, where urban and rural areas pool funds to form a joint enterprise. Not only does the provision of funds gain an entitlement to shares, but the provision of labor, land, resources, equipment, technology and so on also gains an entitlement to shares. Operations are carried out jointly and there is distribution of profits according to shares held. There are all sorts of other forms as well. Through combination, the interests of the urban areas and those of the rural areas are linked up. Thus, the external interflow of production factors between urban areas and rural areas becomes internal interflow, which fully utilizes the superiorities the two sides have in terms of production factors.

The third category is those semi-tight, semi-loose forms which use rural township enterprises as hubs of contact. The situation where rural township enterprises take in all urban production factors which will be of advantage to their own development, is at present an important aspect of the urban-rural cooperation, technical transfer, movement of trained persons and fund circulation in our nation's advanced regions. Following the readjustment of the rural production structure, the position of rural township enterprises has become increasingly prominent in urban-rural comprehensive interflow. At present, the major forms through which urban-rural interflow is carried out through rural township enterprises are as follows: 1) The drawing in and diffusion form. The rural township enterprises use their funds and all sorts of superior conditions to encourage rural enterprises and scientific research departments to send trained personnel, to supply technology, and to supply equipment to the rural areas. Also, they may contract to take on some of the processing or production tasks for urban enterprises, after which the products are sent back to the cities, or through the cities for distribution to domestic and international markets. 2) Specialized cooperation forms. The rural township enterprises, in order to raise their own quality, engage in specialized cooperation with suitable urban enterprises through exchanging labor for materials or through labor compensation and such forms as contract purchase forms. The rural township enterprises, on their own initiative, sign product sales contracts with urban commercial operations.

Through mastering the trends in the urban market, they are able to expand the sales markets for rural industry and for the sideline product processing industry.

Apart from the three major categories noted above, there are other one-way forms of comprehensive interflow. These are the forms which do not operate through interflow hubs, but rather through the peasants going directly into the cities to develop tertiary industry, or the urban enterprises extending feelers directly into the villages. In this direct urban-rural interflow, each side takes labor, equipment, funds and technology and moves them directly to the other side. This constitutes a type of direct convection between urban and rural industries.

Urban-rural comprehensive interflow is an inevitable expression that our nation's urban and rural productive forces have developed to a certain stage. This has great significance and will play a positive role in the overall development of our nation's urban and rural economies and in the deployment of the productive forces.

First, it will strongly promote the strategic readjustment of our nation's urban economy. The urban economy, especially urban enterprises, is the leading factor in our nation's economy. It is the vanguard in catching up with and overtaking the world's advanced levels. However, at present, our nation's urban industry is still mainly traditional industry. Even in our nation's largest industrial city of Shanghai, technology-intensive and knowledge-intensive industries only constitute about 10 percent of the total. This is a problem in which great attention must be paid to resolving the strategic readjustment of our nation's urban economy. Urban-rural comprehensive interflow provides possibilities and creates conditions for resolving this problem. Through comprehensive interflow, the cities will be able to shift some of their primary technological production and some of the traditional industries to the rural areas, while concentrating their own strengths and bringing into play their superiorities to quickly develop science and technology of a world standard. They will then shift their focal point to meeting the challenge provided by the world's new technological revolution, and progress in leaps and bounds. At the same time, the transfer of products, equipment, technology and so on to the rural areas will allow cities to increase their enterprises' capacity for renewal and transformation, and also expand sources of funds. This will be of benefit in speeding the pace of technical transformation in urban industry.

Second, it will speed the process of industrialization in the rural areas and promote the overall invigoration of the rural economy. Through urban-rural comprehensive interflow, rural township enterprises first obtain equipment and technology from urban enterprises and also obtain the strong support of the urban enterprises. By these means, their reserve strength is increased and their ability to digest and utilize excess labor and funds in the rural areas is also increased. In addition, the rural commodity market is opened up. On the one hand, the opening up of the urban markets increases the capacity of these markets to consume and collect and distribute commodities from the rural areas. On the other hand, the strengthening of the

rural area's capacity to process agricultural and sideline products and the reduction of transport costs raises the market competitiveness of the agricultural and sideline products. Finally, this type of comprehensive interflow opens up many avenues to prosperity for the rural areas. It provides opportunities to all capable people from the rural areas to display their talents both in the urban areas and in the rural areas. This creates good conditions for the readjustment of the rural production situation and for the overall development of all industries in the rural areas.

Third, urban-rural comprehensive economic interflow opens up a new avenue for building new socialist urban-rural relationships where both urban areas and rural areas are open, where there is mutual mingling, and where there is common prosperity. It also establishes an economic base for consolidating the alliance between workers and peasants in the new historical period. First, comprehensive interflow clears a road for the rational arrangement of important urban and rural production factors in broader spheres. This results in the socialist urban and rural commodity economies forming an organic whole. Second, it causes the passive and negative integration of the past whereby, under administrative interference, the cities supported the rural areas and the rural areas served the cities, to change to a positive integration whereby both urban areas and rural areas are spurred on by common interests. It thereby provides experiences in terms of the comprehensive utilization of various types of economic measures to resolve the contradictions between administrative divisions and economic regions. Third, it creates conditions for the rational deployment of our nation's productive forces and for realizing an industrial structure where there is division of labor and many levels between urban and rural areas. It will thereby create a base for the integration of urban and rural areas and the mutual development of domestic and international markets.

### III

The development of urban-rural comprehensive interflow and the establishing of new urban-rural relations is related to the overall reform of the relationship between the productive forces and the relations of production. It was inevitable that the original economic order be attacked, and thus it follows that the urban and rural economic structures must undergo comprehensive readjustment and reform. Several appropriate measures must be taken:

1. New mechanisms for blending the urban and rural economies must be established. Economically developed large and medium-size cities and quite densely populated areas should adopt the system whereby the city administers the county. This system has the obvious characteristic that it breaks through the barriers dividing urban and rural areas. In this way, the central city spurs on the surrounding villages and the urban and rural economies develop through unified coordination. By this means, interflow and merging in production and circulation between urban and rural areas can be achieved. This will promote the common development of the urban economy and the rural commodity economy. Thus, it will positively and reliably promote the system whereby the city administers the county. This is an effective pattern for our nation's economically advanced areas to adopt in order to achieve urban-rural comprehensive interflow.

In economically undeveloped large and medium-size cities and in sparsely populated regions, it is necessary for urban and rural areas to pool their strengths, to centralize the personnel, materials and funds, and quickly establish a key city which will, in economic terms, have both a centripetal force and a certain radiating force. In these cities, we must create choices in terms of avenues. We must certainly break down the former old conventions whereby the only avenue was the one which relied on state investment, and must take the road of comprehensive interflow between urban and rural areas. It is necessary to draw on the strengths of the urban and rural areas in all aspects, so that the workers and peasants can together build new-style cities where there is urban-rural blending. The employment opportunities in the cities must be opened to peasants and we must break down the sharp divisions between urban and rural areas, including employment restrictions and household registration. It is necessary to draw peasants off the land and into the cities, so that, together with the state, they can start industrial and commercial enterprises. This will not only be of advantage in helping the backward rural areas to industrialize and urbanize more quickly, but will also be a shortcut to achieving the strategic aim of "urban-rural blending."

The economically backward regions lack technical strength and funds. This demands that, while mainly relying on the area's strengths to build cities, we should not lose the opportunity to develop long-distance interflow and develop economic and technical cooperation which cuts across regions, as quickly as possible. We should especially pay attention to drawing on the technology, personnel, equipment, funds and so on of the advanced eastern regions and also pay attention to providing assistance in the urban construction in the central and western regions. This will raise the capacity of the central and western regions to "transplant" and "regenerate" advanced technology. Through economic and technical cooperation between the central and western regions and the eastern and southern regions, comprehensive interflow between urban and rural areas, which cuts across regions and provinces and which provides mutual interests, will be achieved. Through this it will be possible to build a new mechanism for blending urban and rural areas.

2. We must formulate scientific regional plans for guiding comprehensive interflow between urban and rural areas, and these plans must be carried out in a step-by-step way. Divisions between economic areas will certainly break down the original administrative divisions and administrative levels. The divisions between regions and departments as well as the division between urban and rural areas will be eliminated and economic relationships will become the objective yardstick. The economic regions should act in accordance with their own situations, be of diverse forms and have their own characteristics. Some will have a city as their center, which will be linked up to the surrounding areas by production and technological cooperation, commodity exchange, foreign trade, financial dealings, consultative service and other types of economic activities. Some will depend on an industrial base, and will be surrounded by resources, communications, heavy chemical works and similar construction and production. These will break through regional and urban-rural barriers, speed the development of resources and their comprehensive utilization and so on. The formulation of the

regional plans will be combined with the development programs for the rural areas and the national plans for industrial development. They will thus, in organizing specialized cooperation and alliance between the urban and rural areas, treat them as an organic whole. We must also pay attention to arranging well the coordinated organization of comprehensive economic development between urban and rural areas in the regions, and the work of rational coordination of division of work and the comprehensive deployment of the productive forces. It is important that we scientifically formulate time limits within which the various projects are to be completed, so that the goals can be achieved step by step. After the plans are fixed, all industries and departments, without regard to their administrative region, must take the plans as their guidance, cooperate closely and implement these plans in a guided, measured and methodical way. The implementation of scientific and authoritative regional plans will guarantee the smooth carrying out of urban-rural comprehensive interflow.

3. We should take responsibility for the overall economic situation and link it up with the readjustment of the urban and rural production structures. Because of estrangement between the urban and rural areas, the overall layout of our productive forces and the urban-rural industrial structure are both irrational. This is seriously impeding the interflow and combination between the urban and rural economies in the various economic spheres and production levels, and has given rise to the situation where the urban-rural industrial structure is outdated, inert, and lopsided. The rural areas have already begun actively readjusting the production structure. The cities should grasp this good opportunity to readjust their own industrial structures, so that the readjustment of the urban and rural industrial structures is unified and coordinated. In this way, the industrial structure of the entire national economy can be smoothly readjusted. This will promote the socialization and specialization of production and will promote social and technical progress. Cities must greatly develop commerce, foreign trade, communication, posts and telegraphs, banking, insurance, consultancy, information, technology service and other such tertiary and service industries. They must also raise the proportion of knowledge-intensive and capital-intensive industries and gradually transfer labor-intensive industries to the rural areas. The rural areas should greatly develop their advantages of large amounts of labor, and space and a wealth of natural resources and, with the assistance of cities, greatly develop rural processing industries, production enterprises, and other such secondary industry. This will in turn promote the development of mining, planting and other rural primary industry. At the same time, these areas must organize, in a planned and guided way, the movement of excess labor and funds to the cities to provide commercial service and thus develop tertiary industry. In the process of our nation's epoch-making readjustment of the industrial structure in the urban and rural areas, all levels of leadership must take overall responsibility for the economy and during the readjustment must develop comprehensive interflow between urban and rural areas. Comprehensive interflow will bring about coordination in the readjustment of the urban and rural industrial structures, and thus it will be possible for the two to be carried out smoothly together.

4. We must comprehensively utilize economic levers to promote the development of comprehensive interflow between urban and rural areas: 1) Credit. We should pay attention to the provision of assistance in terms of credit, to projects which involve urban-rural interflow. We should support the technical transformation of urban industry and also support the development of the rural industry which is combined with this. By reference to regional plans, we should formulate comprehensive credit plans, and combine support for the two into an organic whole. 2) Tax. We must appropriately expand the range of value-added tax. In general all products produced by joint urban-rural operations in accordance with demands of specialized production and coordinated division of labor, regardless of the industry, should be subject to value-added tax. This will provide, in terms of material interests, a motive force and provide enthusiasm for the development of comprehensive interflow between urban and rural areas. 3) Pricing policies. We should adopt more flexible measures, allow more industrial products to enter the market and give urban and rural enterprises more autonomy in fixing prices themselves.

Realizing comprehensive interflow between urban and rural areas is completely new and very complicated economic work. Thus, we must proceed carefully and strengthen leadership. We must take strong precautions against cities using the opportunity of comprehensive interflow to offload their problems on the rural areas and the rural areas using the opportunity to cut the ground from under the cities. Only by proceeding from the principles of mutual benefit and common development will it be possible to guarantee the smooth implementation and healthy development of comprehensive interflow between urban and rural areas.

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NATIONAL POLICY AND ISSUES

PRC OFFICIAL STRATEGY FOR IMPORTING TECHNOLOGY

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[Article by Ge Hong [5514 5725], deputy head of the Technology Trade Research Office of the World Trade Research Institute under the Ministry of Foreign Economic Relations and Trade: "The Present Situation in World Technology Trade and China's Strategy for Importing Technology"]

[Text] Technology trade relations are an important aspect of international economic relations. In particular, along with the development of the new technological revolution, the scope and structure of international technological transformation have been expanded and developed and there are now more technological resources. So international technological exchanges and cooperation are exerting great influence on the economic and technological development of various countries. Because we are carrying out the policy of opening up to the world, actively making use of foreign funds and importing technology will therefore be of very great significance in reducing the technological gap between our country and advanced foreign countries, in accelerating our technological progress, and in realizing the four modernizations.

Since the beginning of the 1980's, world technological trade has been developing very fast. The technology export volume of the capitalist countries exceeded U.S. \$30 billion in 1983. The United States, France, West Germany, Britain, Japan and so on are the main technology-exporting countries, and these countries occupy important positions in the world technology market. There are two reasons for the rapid development of world technology trade:

1. International technological transfer has become an important method of promoting the export of commodities and capital. The export of technology by the advanced countries has strongly promoted their export of mechanical equipment, mechanical parts, and raw materials. When the advanced countries export technology, technology worth U.S. \$1 can promote the export of equipment, raw materials, and mechanical parts worth U.S. \$50. When the developing countries and regions import technology, they usually spend a lot of foreign exchange to buy the "hardware" and components of the technology. What is more, since the end of World War II, technological transfer has become a main force to push forward the international circulation of capital.

Some technologies have been used as direct investment in carrying out technological cooperation with other countries. The activities of technological transfer have pushed forward the direct investment in foreign countries.

2. The study and development of new technology need regular huge investments, which are a heavy burden for many countries and enterprises. Except for a minority of countries whose technological and economic strength is comparatively great, many countries are finding the huge investments needed for the study and development of technology a problem. In order to reduce investments, gain technological superiority, and gain the initiative in technological competition on the world market, all the countries in the world have strengthened their activities in technological transfer. Through technological transfer, the various countries can save the funds for the study and development of technology. Through technological transfer, the technology-exporting countries can also recover the funds spent on the study and development of technology. What is more, the new technologies and high technologies have been developing very fast since the end of World War II, so no country can monopolize a technology for a long time. And, in fact, the various countries have their own new technologies. So all the countries in the world, including the United States, which holds the lead in many technological fields, have to import technologies to increase their competitive strength. As far as the broad masses of developing countries are concerned, although many of them have recently become developing industrial countries and regions, on the whole, there is still an ever-expanding technological gap between the developing countries and the developed countries. So, in order to narrow the gap, some developing countries are stepping up their import of technology from the advanced countries.

We are now going to give an account of the basic situation in the present technology trade in the following nine aspects:

1. The multipolarization of technological resources. Technological resources refers to the countries and enterprises which study, develop, and transfer technologies. The standard and speed of the technological development of a country have a strong bearing on the standard and speed of the economic development of the country. A country's capability in studying, developing, digesting, absorbing, and creating technology, as well as its capability and speed in spreading technology, determine the position of the country's products in competition on the world market. As far as international trade is concerned, the competitive strength of commodities relies largely on technology. Therefore, change in the relative strengths of technological forces also changes the positions and competitive strengths of all the countries in the international division of labor. As a result, many new technological resources, new technology trade partners and new technology trade opportunities have emerged. The United States has led the whole world in science and technology since the end of World War II. The process of the spread of new technologies in the world is usually divided into the following stages: In the first stage, the United States first develops new products of high quality to sell on the market; in the second stage, Japan, the European countries, and Canada import, digest, and absorb the technologies and then produce improved and more advanced products; in the third stage, the new

technologies have begun to become old and the advanced countries begin to invest in the developing countries and to transfer technologies to the developing countries. Of course, this is the situation in general. It should be noticed that the developing industrial countries like Singapore and some other countries have become technology-exporting countries. The countries in Latin America have also developed very fast. For example, Brazil's industrial output value ranks seventh among the Western industrial countries. Now Brazil and other Latin American countries have begun to export technology to other countries. The Soviet Union and the East European countries have made use of their own scientific and technological forces to develop new technologies and have achieved remarkable successes in applied technology. Now these countries have become sources of technology. For example, every year, Japan imports technology from the Soviet Union and the East European countries.

Transnational corporations have always occupied an important position in international technological transfer. At present, every year, transnational corporations can provide commodities and labor service worth U.S. \$1,250 billion, which accounts for one-third of the world GNP. The direct investments of the transnational corporations have reached U.S. \$37,000 billion. The transnational corporations mainly invest in the advanced countries. The transnational corporations mainly invest in the advanced countries. The technology trade volume of the transnational corporations account for 70 to 80 percent of the world technology trade volume. It should be noticed that the medium-sized and small enterprises have begun to challenge the transnational corporations' monopoly of advanced technology. In particular, many medium-sized and small enterprises in the West European countries have strong competitive strength and have become a force not to be ignored in international technological transfer. So the situation on the international technology market is very complicated and there are now numerous technological resources on the international technology market for people to choose from.

2. The renewal period for technologies has become short and the rate at which technologies age has become faster. Owing to the keen competition on the international technology market, being able or not to maintain the leading position in technology not only has a bearing on the competitive strength of a country, but is also vital to the fate of enterprises. Commodity competition is, in the final analysis, competition between economic strengths and competition between technological strengths. So in the fierce commercial war on the international market, the rate at which technology ages is becoming faster and faster and the life of products is becoming shorter and shorter, so the advanced countries are all trying to transfer the technologies which are outdated or which are becoming outdated to other countries. Their purpose in transferring technologies is to recover their investments in the study and development of the technologies and to strengthen their countries' or their enterprises' competitive strength on the international market; their competitive strength because technological transfer can promote the sale of commodities. In the process of the industrialization of the developing industrial countries and regions, a lot of labor-intensive technologies were imported and these labor-intensive

technologies have been playing an important role in the economic development of those countries. But we should also see that along with the economic and technological development, the technological standard and the quality of commodities have become the main manifestations of the competitive strength of commodities on the international market. On the international market, industrial products are being developed in the direction of variety, portability, rapid renewal, and high quality. And the development of production technology is characterized by power saving, materials saving, labor economy, safety, a high level of efficiency, and high levels of added value. Factories will be eliminated through competition if their technologies are backward. Reducing the cost and increasing the competitive strength of products by depending on low salaries and intensive labor is not a method for competing with the competitive strength of the improvement of technological standards and will surely lead to defeat in the keen competition. In international trade, the outlook on value has changed, and low prices and large quantities are no longer the key to winning a commercial war. Now it is the latest products of good quality which have the strongest competitive strength in international trade. Outdated products cannot find good sales even if their prices are very low. To find good sales by lowering prices has become an outdated method.

3. In the field of high technology, the biggest technology-exporting country is not the biggest high technology products-exporting country. According to material provided by the magazine OECD OBSERVER, there are seven high technologies: computers, electronics, communications, biological projects, chemistry, high alloys [gao he jin 7559 0678 6855], and robotics. The United States now holds the lead in computers, communications, biological projects, and chemistry. In the field of electronics, Japan and the United States are joint leaders. In the fields of high alloys and robotics, Japan now holds a world lead. West Germany ranks third, Sweden ranks fourth, Britain fifth, and France sixth. The United States exports more high technology than other countries because its strategy in the development of technology is to occupy the international market by exporting technology. After the end of World War II, the U.S. Government encouraged the export of technology for quite a long time. However, the present situation has changed a little. But the situation of Japan is opposite to that of the United States. Although Japan's export of technology has shown an increase, it only exports a limited amount of high technology and exports a large number of high technology products, because Japan holds the lead in technology, techniques, and applied techniques and Japan's labor productivity is high and its production costs are low.

4. Political and diplomatic factors also affect the technology trade. The political and diplomatic relations between two countries are often an important factor affecting the technological transfer between the two countries. The technology-exporting countries use technological diplomacy because, first of all, these countries want to enhance their prestige in the world, expand their influence, and improve their external relations. For example, Japan made use of its seawater desalination technology to establish relations with the Gulf oil-producing countries, so as to secure a stable oil supply. Second, it is because these countries believe that realizing their global

strategies is the key link in their diplomatic ties. For example, the United States, the Soviet Union, and some other countries make use of their technologies to improve their relations with other countries or to exercise pressure on other countries and to realize their global strategies. The technology-importing countries usually break through technological blockades and restrictions through diplomatic channels in order to acquire necessary technologies. The Paris Coordinating Committee has obstructed normal international technology trade and has been manipulated by a minority of countries to push out other countries, monopolize the technology market, and obstruct international technological transfer. So the Paris Coordinating Committee is detrimental to the development of the international technology trade.

5. Special technology means the technical knowledge, experience, data, methods, and so on, patent rights for which have not been applied for. Special technology is mainly monopolized through security measures. At present, the transfer of special technology is playing an increasingly important part in world technology trade.

6. High technology protectionism has been strengthened. Ordinary technologies are traded freely on the market. We have already mentioned that the United States has been encouraging the export of technology, especially to its allies. The transnational corporations of the United States have adopted three main methods: One is vertical export. For example, the IBM company only exports technologies to its branch companies, and confines the highly sophisticated technologies to its headquarters, never exporting them. The second method is horizontal transfer. For example, the Dupont company demands equal exchange of technology. The third method is replacement transfer. For example, RCA exports its technologies to recover the funds invested in the research and development of technologies and then uses the recovered funds to develop new technologies. So, it transferred the technology for producing color televisions to Japan, and Japan used its technology to develop color televisions and video technology. Now Japan has become the chief color television and video recorder exporting country in the world. Today, both the United States and Japan have imposed restrictions on the export of advanced technology. Although international technological transfer and exchange have pushed forward the development of high technology, the United States and some other countries are still strengthening their control over the transfer of high technology and the exchange of information.

7. Information plays an important part in the technology trade. To a certain degree, the one who obtains information will be able to gain the initiative in the technological war. In the world today, every year, around a million patented technological documents are published. And each year, the patented technological documents also increase by 15 percent. So there is a lot of information, and some of the information is also duplicated. As a result, it is more and more difficult to collect, arrange, process, store, and administer the information. It should be noted that some countries and enterprises purposely spread false information in order to mislead their competitors.

8. The question of standardization has become an important method of pushing forward or obstructing the technology trade. Standardization is a necessary prerequisite for the smooth development of the international technology trade and is also a means for some countries to set up barriers on nontariff technologies. There are various standards, such as international standards, the standards of a particular country, and the standards of a particular trade or enterprise. As far as our country is concerned, we must pay particular attention to the question of standardization when importing second-hand products because, although the equipment imported is more advanced than our own equipment, the equipment is already obsolete in other countries or belongs to those factories which have been declared bankrupt. When importing this kind of equipment, our comrades have often ignored the question of standardization.

9. The question of environmental pollution in international technology trade has attracted more and more attention from people. For example, some countries have transferred the factories which release harmful materials or factories which lack the equipment to dispose of the "three wastes" to the developing countries. Those factories include monosodium glutamate factories, chemical fertilizer factories, stiff washing powder [ying xin xi yi fen 4289 1480 3156 5902 4720] factories, steelworks, leather factories, and printing and dyeing mills. We must pay attention to this situation in our future technology imports.

Because of the above analysis, we should study China's strategy for importing technology carefully.

Our country's technology trade has developed very fast. Particularly since the implementation of the policy of opening up, our country has imported a lot of technology, except "software" technology (including patented technology and special technology). Since 1979, there have been new changes in the methods, emphasis, environment, and legislative guarantees of China's import of technology. The characteristics of China's import of technology during this period can be summed up in the following aspects: First, there are various methods of importing technology, and the past method of importing only complete sets of equipment has been replaced by the method of importing technology by carrying out trade and cooperative production under license, accepting advisory and consultative services and technological services, by purchasing some equipment, and so on. Second, the number of contracts mainly involving the import of technology and techniques of manufacturing imported products has greatly increased, which is beneficial to the development of our country's own technology. Third, the import of technology has centered on mechanical metallurgy, electronics, energy, transport, electricity, the chemicals industry, light industry, the textile industry, agriculture, and so on. Fourth, the legislation concerning the import of technology has been gradually perfected and a series of practical rules and regulations have been made, such as the "Patent Law of the People's Republic of China," the "Regulations Concerning the Administration of Contracts for Importing Technology of the People's Republic of China," the "Law on Contracts Between Foreign Countries and the People's Republic of China," and so on. The further perfection of these laws will surely play an important role in improving and

strengthening our work of importing technology. Fifth, the administrative organs and structures in charge of our country's import of technology are now developing according to our country's policy of opening up to the world and invigorating the domestic economy. And we are now carrying out the reform of these administrative organs and structures in order to make them more suited to the characteristics of our country's socialist commodity economy and to push forward the development of our country's technology trade.

At the moment the problems in our country's technology trade are:

1. The duplicated import of the same technology, especially low-standard and low-level technologies, and the import, digestion, and absorption of the same foreign technology by various parts of our country. For example, at present, there are already more than 60 imported color television production lines in our country, but some areas still want to import the same technology. So far, we are still not clear about how many durable consumer goods our country can absorb. Another reason for the repeated import of the same technology and equipment is that we do not clearly understand the market situation. For example, we do not know how many refrigerators and washing machines our country really needs. We have already imported some low-standard technologies through compensation trade and the processing of materials provided. The low-level technologies imported by some commune factories and factories run by production brigades have caused the pollution of the environment.
2. The problem that the various departments have declared different policies. Originally, we were to simplify the administration and delegate the powers, but now there are too many organizations in charge of the technology trade. Owing to the overlapping administrative organizations, we have not really solved the contradiction between "imposing control" and "relaxing control," thus causing lack of conformity in our policies and our actions. After the general and specific policies of the CPC Central Committee have been decided and implemented, our work should catch up with those policies, otherwise it will cause passivity in our work. For example, the "question of opening up domestic markets" has been discussed many times and a lot of good suggestions have been made, but our plans and measures have not caught up with them. As a result, some areas have opened up markets which should not have been opened up. Once the markets have been opened up, we need to buy commodities with foreign exchange. Do we have a strong capability for payment in foreign exchange? How long can our capability for payment in foreign exchange last? We must carefully consider these questions. We should carefully study and decide whether to open up the domestic markets of some industries whose technological standards are comparatively high and which can greatly affect our national economy and people's livelihood. And we should make a plan. The "reverse strategy," which was formed as a result of the import of parts for assembly, can only be applied in a certain restricted scope. We should not exaggerate the strategic role of the "reverse strategy" nor should we apply it to the import of ordinary technologies, because it will surely cause deviations in our work of importing technology.

3. The combination of technology and trade is an important aspect of the reform of the structure of foreign trade and is an effective way of importing technology. The combination of technology and trade means combining the import of technology with commodity trade, to lure foreign businessmen to transfer their technology by buying their commodities, or to buy their technology at preferential prices. But the implementation of the combination of technology and trade does not mean that our country can accept unreasonable terms of "importing technology together with other products." And we should not apply recklessly the principle of the "combination of technology and trade," which can only be applied in a limited scope. If we import a large quantity of component parts to assemble under the pretext of combining technology with trade, although we have opened up the market and paid out foreign exchange, we still will not acquire the manufacturing technology. As a result, we will only acquire simple assembling technology, which is not worthwhile to us.

The general goal of our country's economic development is that from now until the end of this century, the various departments of our national economy should adapt their work to a new technological foundation and bring into full play the roles of science and technology, so as to realize the historical task of quadrupling total industrial and agricultural output value. We must analyze and study the strategy for the development of our country's technology trade in close connection with the general goal of our country's economic development. In different historical periods, we should have different goals for our economic development and different strategies for the development of our technology trade.

At present, one of the major changes in the strategy of our country's technology trade is the shift from mainly purchasing "hardware" technology to mainly importing "software" technology. The patent system implemented in our country has reflected this change. A strategy for the development of technology trade should be a three-dimensional strategy. When forming such a strategy, we should have the concept of time and the concept of space in mind, should consider the international environment, the domestic environment, and various other factors, and should deal well with the relations between the traditional industries and the newly developed industries, the relations between the special economic zones, the open coastal cities, the open coastal economic areas, and the hinterland, the relations between advanced technology and easily applied technology, the relations between the areas of technology trade and the partners in technological cooperations, the relations between the import of technology and the development of export trade, and so on.

First of all, the traditional industries are the main body and the high technology industries are the guide. The main purpose of importing technology should be to reconstruct and extend our country's present enterprises and carry out their technological transformation. After more than 30 years of construction, our country has established its own industrial system with a relatively complete set of departments and a comparatively high technical level. But at present, the technical equipment, designs, techniques, and manufacturing technology are comparatively backward, so we must import new



technologies to transform traditional industry and realize the modernization of production and management. We should also adopt advanced international standards, stop producing outdated products, and reduce the development period for new products.

Second, we plan to carry out our work of opening up from one point to a whole area and gradually from the coastal areas to the interior. The further opening up of the coastal areas shows that those areas occupy an important position in our country's import of foreign technology and use of foreign funds. The special and preferential policies have enabled those areas to have some advantages. So those open areas should in practice become the "windows" for importing advanced technology and high technology. The interior should bring into full play its advantages in resources, qualified personnel, technical equipment, and other aspects, import technology, and develop the economy. Our country is a big one, so we can see the disequilibrium between the economic development of various areas and between the economic development of the urban areas and the rural areas, and the different technical levels in different areas. We should import those technologies which can be digested and absorbed by the various areas and which are suited to the production in the various areas. Foreign technologies should be imported from different sources and should not be imported from a single source. In particular, we should not always fix our eyes on the famous products of some big factories of a few foreign countries. Instead, we should open up foreign technological sources and import technologies from different countries and from big, medium-sized, and small enterprises. So long as we make good regional plans and plans for various trades and good arrangements for the imported projects, improve the investment environment, develop energy, transport and telecommunications, and other basic departments, readjust the administrative levels for importing technology, bring into play the respective advantages of the coastal areas and the interior, and develop the horizontal economic relations and cooperation between the coastal areas and the interior, our country's opening up to the world, like a game of chess, will really become "alive."

The import of technology touches upon the question of external payment, so the scope and speed of using foreign funds and importing technology will finally be restricted by our country's ability to make payment in foreign exchange. Owing to the fact that our country's main source of foreign exchange is its trade earnings, we must expand our export trade to earn more foreign exchange. And we should combine the import of technology with the development of export trade, and use advanced technology to transform the enterprises and production bases of our country's export trade. In particular, high technology should serve the development of export trade and continuously renew the methods of designing, manufacturing, packing, and decorating the exported products so as to provide more best-selling products to the international market.

Under the good situation of the reform of the economic structure and the reform of the structure of the external trade of our country, we should organically combine the import of technology with the research on how to develop our own technology, learn all the advanced technologies, discard

what has outlived its time and develop the new, carefully sum up the experiences and lessons in our country's import of technology, develop international economic, trade, and scientific and technological cooperation, vigorously develop China, accelerate our country's economic development, and make more contributions to the cause of world progress.

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## NATIONAL POLICY AND ISSUES

## JINGJI YANJIU ON CHANGING ENTERPRISES TO STOCK COMPANIES

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[Article by Cao Wenlian [2580 2429 3550], a research student in the economic department of the People's University of China: "An Exploration Into the Conversion of Large and Medium-Size Whole-People Ownership Enterprises Into Stock Companies"--completed June 1985]

[Text]

## I

Over the last few years, the internal relations and external environment of whole-people ownership enterprises have seen a series of important readjustments. This has played a certain role in stimulating the enthusiasm of producers and improving socioeconomic benefits. However, some old, basic problems have still not been resolved and, as the system changes tracks, new problems have emerged.

At present, the major problems of large and medium-size enterprises can be divided into three: 1) In terms of decisionmaking power, the operations of large and medium-size enterprises, and especially of the large enterprises, are still greatly restricted by the state. Because of the importance of these enterprises and the importance of their products in the national economy, the large enterprises are subject to mandatory planning on a large scale, their prices are tightly controlled and they are also restricted to a large degree in terms of foreign trade. Thus, basically, they do not have operational autonomy. 2) In terms of motive force, although the second step of the reform to substitute tax payment for profit delivery has helped to clarify the division between the interests of the state and those of the enterprises, in general the fixed percentages which the large enterprises are required to hand over in income tax is greater than that required from the medium-size and small enterprises. Regulatory taxes and bonus taxes also lack a measured standard. On the one hand, this makes it easy for enterprises to evade taxes and, on the other hand "the fast oxen are those which get lashed." None of this is beneficial to motivating the enthusiasm of enterprises and their staff. 3) As to the trends of activities, indiscriminate issuing of bonuses and material rewards is found everywhere. Also, enterprise leaders and their staff are partial to short-term and extremely short-term activities, and they overlook accumulation and the transformation and renewal of fixed assets.

The basic reason for the above-mentioned problems is that there is a simple attempt being made to separate the enterprises' proprietary rights and operating rights. There is an attempt to have the state as the enterprises' owner, while the enterprises are given operational autonomy. The actual result of this is that it is not possible to guarantee the full autonomy of the enterprises. The state, through its ownership of the enterprises, still manages planning, pricing, credit, tax and foreign trade far too rigidly. Thus the enterprises lack vigor. In addition, no one in the enterprise represents the state's interests. The enterprise leaders side with the workers, mainly seeking and guaranteeing immediate and partial interests. Thus the state loses macrocontrol. The development of this division of the "two rights" may lead to some thorny problems. For example, in future, the enterprises are going to be given the capacity to transform themselves and develop themselves. This means that the enterprises will be able to use their retained profits or credit to carry out renewal and transformation of their fixed assets and to expand reproduction. However, the property which is so formed will belong to the state. Thus, the enterprise will be unwilling to use retained profits for investment and will prefer to use them for immediate welfare projects. If the assets were to be owned by the enterprise, collective property would be created and gradually expanded within whole-people ownership enterprises, and this would gradually eat away at state enterprises. Also, at present, there are experiments whereby the total wages of an enterprise are linked with the taxes handed over as profit realized by that enterprise. These experiments are being gradually expanded. As to whether an enterprise's overall wage level will be difficult to sustain or whether it is rational, only time and the resulting trends will tell. Even so, this method will obstruct the free flow of important production factors and will not aid the enterprise in future self-adjustment.

In brief, if we do not change the unified ownership of the state over the enterprises and only make a fuss about "loosening" or "tightening" operational and management rights, we will run into the "two rights" problem. If there is "tightening" it will foster bureaucratism and the enterprise will ossify. If there is "loosening," collective interests will become more important and macrocontrol will easily be lost. Only by opening a new road will it be possible to escape this plight.

## II

In recent years, people have often advocated changing state ownership to collective or enterprise ownership. Reform in this direction would give quite full autonomy to enterprises and stimulate the enthusiasm and creativity of workers. However, because the important production factors will be monopolized by groups, because enterprises' innate disparities would directly affect workers' incomes, and because enterprises would generally be unwilling to take on new workers and would be unwilling to invest the enterprise's funds in other enterprises, the free movement and rational association of labor and funds between enterprises would be obstructed. This would result in an increase in the society's unemployment rate. At the same time, enterprise leaders and workers would seek to increase their incomes to the greatest extent, but would not seek the same for profits. Thus, the desire to take

on the risks of investment would not be great. This would lead to the situation where the rate of accumulation was low and the rate of consumption high, and give rise to the existence of inflation in the society. Also, if there is too much democracy in the internal management of an enterprise, it will obstruct the decisionmaking efficiency and result in the enterprise leaders being subordinated to the collective interests of the workers. In such a situation, social benefits will rarely be taken into consideration. Thus, although in theory this model has great appeal, in practice it is not worth following.

Another possible choice is the adoption of the method of contracts or leases in operating state-owned enterprises. In practice, although it has been shown that this is definitely effective in invigorating enterprises, it does not appear to be a long-term plan, especially in regard to large or medium-size enterprises. The problem is that the contract or lease is for a set period (usually 3 to 5 years). This results in the operator seeking the largest gains within this set period. He pays little attention to the long-term development of the enterprises and may even harm the enterprise's long-term interests. In addition, in the signing of contracts or leases, the contracts are usually "soft," that is, they are more profitable to the contractor or leasee. Because the contractor is not willing to take on too great a risk, the profit contract amounts cannot be set too high, and once set, will not be changed for several years. However, existing enterprises generally have great latent potential both in the production and operating spheres, and thus it often occurs that "as soon as the contract is signed, the enterprise takes off." Thus, the greatest effectiveness is, in fact, not realized. These several problems basically stem from the simple separation of proprietary rights and operating rights. It is not possible to organically combine, in an internal way, the interests of the owner and the interests of the operator. Rather, it is necessary to unreliably and artificially bind them together after they have been divided. Thus, contracts or leases are not the best medicine for curing the sickness affecting our nation's large and medium-size enterprises.

I believe that a relatively rational way to resolve the problem is that, with the precondition of guaranteeing the basic nature of whole-people ownership, we turn a large number of state-owned enterprises into stock companies. The specific method is as follows: An appraisal will be made of the value of the existing whole-people assets of an enterprise, which will then be converted into the state's share. After this, there will be gradual sales of shares to the staff of the enterprise, to various enterprises in the society, to governments at all levels and to individuals. For important enterprises, the state will retain the controlling share. Whenever the state wishes to increase investment, this will be converted into an increased number of state shares. When the enterprise uses after-tax profits to increase investment, this will be converted into shares and issued to the staff of the enterprise. In future, when the state establishes new enterprises, in general it should use the method of issuing stocks and bonds to collect funds. When an enterprise expands reproduction, it should also do this by issuing stocks or bonds. After the enterprise has been turned into a stock company, it can be operated using the organizational methods of modern stock companies.

The changing of large and medium-size state-owned enterprises into stock companies can play the following important roles in our country: 1) It can organically link up the interests of the state, the enterprise, and the individual through the method of combined shares. If one loses, all lose and if one prospers, all prosper. A board of directors, mainly comprising shareholders, will be the enterprise's highest organ of power. The representative of the state's share will be chairman of the board in companies where the state holds a controlling share, thereby resolving the problem of "who is going to represent the state in the enterprises." 2) The board of directors will appoint the manager or factory director who will take responsibility for the day-to-day production in the enterprise. The appropriate separation of the "two rights" within the enterprise will, on the one hand, guarantee the interests of the owners of the means of production, that is, the shareholders. On the other hand, it will allow the manager full autonomy. Thus, it will be possible to raise the enterprise's operating and management efficiency. This will surmount the above-mentioned difficulty as to whether the "two rights" should be "unified" or "divided." 3) As the shareholders will take on investment risk, the actions of the enterprise will automatically adhere to the criterion of long-term interests, and attention will be paid to investment results and to the rational allocation of after-tax income. Thus, it will be possible to eliminate the tendency of issuing indiscriminate bonuses and other material rewards and it will also be possible to cure the "investment hunger disease." 4) The turning of enterprises into stock companies will be able to promote the free flow and rational combination of important production factors. It will also be of benefit in forming and perfecting socialist funds markets and labor markets, and will thereby guarantee the continued improvement of socioeconomic benefits through competition. 5) The turning of state-owned enterprises into stock companies will result in excessively large consumption funds being transferred into production spheres. This will in turn alleviate some of the pressing problems in the current macro-reforms and will speed the overall development of various aspects of the reform of the economic structure.

I believe that at present, when various economic parameters have not yet been arranged, and under conditions where there are foreign exchange income and expenditure problems and macro-reforms have just begun to tackle the present difficulties, we should first fix the steps to be taken in turning enterprises into stock companies. This will establish a microbase for the macro-reforms, so that reforms in planning, pricing, banking, finance, foreign trade, wages and so on will have an axis on which to be based. Also, in the present situation of financial difficulties, it will not only give rise to increased expenditure, but will, in the process of the turning of assets into shares, provide an obvious increase in revenue. This will thus be of benefit in speeding those other reforms which require financial aid and assistance.

Recent industrial development has shown that a stock company is the most efficient form of organizing large enterprises. It allows investment risks to be spread, so that each shareholder only takes on a limited risk. Thus funds can be centralized quickly and the scale of production can be expanded. In internal organization, they generally divide proprietary rights and

management rights. On the one hand, this guarantees the interests of the shareholders, that is the owners of the means of production, and on the other hand gives full autonomy to the manager, which guarantees the efficiency of production and operations. At present, those large enterprises throughout the world with the greatest operating efficiency are nearly all organized on the basis of stock companies. Even those communications, posts and telegraphs, defense industry and other departments which have traditionally been considered to be the natural preserve of state-owned enterprises, are gradually being turned into stock companies (see SHIJIE JINGJI DAOBAO, 22 April 1985). The turning of our nation's large and medium-size enterprises into stock companies will be conforming to the inevitably historical trend of the times.

### III

What is worthy of serious consideration and study is whether the turning of enterprises into stock companies can be carried out now, or not. If large and medium-size enterprises issue shares now, many people are wondering whether, people will buy them or not. In this regard, some people advocate that shares should be issued on a compensated, or even uncompensated, basis to the staff and workers of that enterprise. I do not consider this to be an appropriate method. There are two reasons for this: 1) This is forcing the shares on them. If they are required to pay for the shares, the staff and workers may feel dissatisfied. If they are issued on an uncompensated basis, it would be as if the staff and workers were misappropriating the state's property; 2) if things are done in this way, after the shares have been issued to the staff and workers, the latter will very likely sell off their shares. This will result in the already excessive consumption funds in the hands of the staff and workers being further inflated. If the staff and workers are forbidden to sell their shares, this will obstruct the flow of funds, and also would not accord with the principles applicable in a stock economy. Thus, this method of issuing shares is not possible. We must recognize that the turning of state-owned enterprises into stock companies is not something which can happen overnight. It is necessary that there be some transitory forms, and then over the next several years we will be able to gradually disperse share rights for the majority of state-owned enterprises. We should at present first consider turning those large and medium-size enterprises which are making quite good profits into stock companies, first because the issuing of shares by these enterprises will have a quite great attraction and secondly because after these enterprises have been turned into stock companies, it will be possible to abolish the current regulatory taxes which have seen quite a lot of problems. This will be of even greater advantage to the enterprises in giving their latent potential full play.

In the last few years, personal savings deposits in both urban and rural areas have risen by a large degree year after year. There has also been a great amount of social floating funds. The people's financial power is certainly not small. The main problem, when issuing the shares, is how we are to attract purchasers. The society has already seen various types of "shares." Most of these have been of the type where after a certain period your invested capital is returned with interest. In fact, by their nature,

they were enterprise debentures. This explains why, at present in the society most share purchasers seek stable earnings and are unwilling to shoulder too large a risk. In general, the move from debentures and preferential shares to ordinary shares is a risky progression. However, the opportunities to increase income progress at the same rate. The risk involved in debentures and preferential shares is small, and one receives relatively fixed interest and dividends. Ordinary shares involve a greater risk and dividends follow the fluctuations of the enterprise's profits and losses. The first period can be a transition period, and we can consider allowing debentures and preferential shares to constitute the largest proportion of negotiable securities issued, as they will be able to attract purchasers. However, seen from the long term, following economic growth and inflation (in an open economy, the overall level of prices will inevitably rise), people will come to see that purchasing ordinary shares will be profitable. At present, we can also consider issuing convertible debentures and convertible preferential shares. This will increase the purchaser's choice and also increase the capacity of shareholders to meet contingencies. Issuing a large number of shares each of a small value will match the financial capacity of most purchasers.

We should stress that the funds which the state gains from turning enterprises into stock companies should be strictly controlled and not used in investment. Otherwise, supplies in the market, already wanting in terms of the means of production will become even more scarce. The state should use these funds to support pricing and wage reforms, and through reallocation, return it to the people. This will lead to a real increase in national income. Following the macroeconomic reforms and the arrangement of the various economic parameters, the release of the formerly concealed production capacity will cause national total output value to increase greatly, and the increase in the people's financial power will on the other hand further speed the turning of state-owned enterprises into stock companies. A beneficial cycle will thus be formed which may allow our socialist economy to move with this step onto a highway brimming with vitality and vigor.

There have to be people to sell shares and there must be places from where shares are to be sold. Some people believe that as our nation has no stock exchange and because our financial market is not complete, there is no way to issue shares for large and medium-size enterprises. I believe this view puts the cart before the horse and is an erroneous understanding. The history of financial development abroad has proven that the crux of the formation and development of a stock market lies in the form by which enterprises in a country are organized, because the formation of a stock market requires the circulation of a certain amount of securities in the market. If we do not change large and medium-size enterprises into stock companies our financial market will long remain incomplete.<sup>1</sup> Before a stock market has come into being, the issue, purchase, transfer and repayment of shares can perhaps be handled by banks or other credit organs.

<sup>1</sup>See Cai Zhongzhen [5591 6850 4176]: "Our Nation's Evolving Financial Market" in ZHONGQINGNIAN JINGJI LUNTAN [ECONOMIC FORUM FOR THE MIDDLE-AGED AND YOUNG] 1985, Issue No 1.



Some people are worried that, following the establishment of a stock market, speculation will occur. Actually, this phenomenon cannot be avoided. However, the former viewpoints on "speculation" were one-sided. It is now necessary that we gain a new understanding of the role of "speculation." After that, it will be possible to look at it correctly in practice. So-called speculation refers to people carefully engaging in purchasing risky shares, hoping that it will be possible to make a profit from future changes in market prices. Speculators of this type objectively play two positive roles which cannot be ignored: 1) As the quantities of stocks which the speculators purchase is quite large, to a great degree they are taking on the risks of the issuer of the security. This promotes vigor in the securities market. 2) Because the speculators buy when the prices are low and sell when prices are high, it assists in regulating the supply and demand of securities, and stabilizes the market. Thus, there is no necessity to, and we should not, abolish speculative activities such as outlined above. Of course, it cannot be denied that some speculative activities, such as spreading rumors, colluding and collaborating, "selling short" and "buying short" in large quantities and so on, play a negative role by spreading chaos in the market. We must place restrictions on such activities, and must exercise special supervision and management in regard to futures and credit markets. Following the formation and development of our nation's stock market, we should as quickly as possible formulate relevant management methods and laws and regulations, to prevent the issuing of unreliable securities and prevent excessive speculation, and to guarantee the interests of investors.

#### IV

How are the state-owned enterprises going to be organized after they are converted into stock companies? What changes will occur in the relationship between the enterprises and the state? There are other questions which demand serious research. Let us first imagine the organizational relationships within a stock enterprise: The ownership of the means of production will be in the hands of the shareholders, while a board of directors, mainly comprised of shareholders' representatives, will represent the interests of the owners of the means of production. In companies in which the state holds the controlling shares, the state representative will be chairman of the board of directors. The main powers of the board of directors will be to select the manager, examine major accounting reports and decide on the allocation of after-tax profits. The operating and management powers of the enterprise's management department, which will be led by the manager or factory director, will be to take responsibility in the day-to-day production operations. The workers congress will represent the interest of the staff and workers and will have the power to approve the person selected as manager and to decide on the allocation of the enterprise's welfare funds. Also it will, together with the management departments, discuss and fix wage contracts. In this way, in a stock enterprise, the internal relationships will be formed by the board of directors, the management department and the workers congress mutually cooperating and mutually restricting each other. This will guarantee that the interests of all sides are appropriately realized.

It can be argued that if the state has a controlling share in an enterprise, will that not lead to excessive state interference in the operations of that enterprise? I believe that such a situation can in general be avoided or overcome in a stock enterprise, because, even if the controlling share of an enterprise is in the hands of the state, the state and the enterprise will have a purely economic relationship. It will not be a relationship of administrative jurisdiction. The restrictions on the power of the board of directors are very clear. They are not allowed to interfere in the manager's day-to-day operation of the enterprise. In general, the state will no longer be able to issue mandatory orders to the enterprise to implement pricing controls or restrict the total level of wages. However, the state will regulate the macroeconomic activities of the enterprise and restrain its external economic activities by various economic levers and laws and regulations. Decisions made by a board of directors controlled by the state's representative must accord with the interests of the majority of shareholders. If they do not, it will result in the commercial reputation of the enterprise suffering losses, a decrease in the price of the shares and could even lead to the bankruptcy of the enterprise. Thus enterprises in which the state has a controlling share and the traditional collective state-owned enterprises have important differences in terms of their ownership relations and their operating forms.

The division of the "two rights" in stock enterprises will also be greatly different from the division of the "two rights" in current enterprises. The current division of the "two rights" occurs externally from the enterprise, resulting in there being no representative of the state within the enterprise. As an enterprise leader can be appointed or sacked at the will of the staff and workers, it is inevitable that he will stand on the side of the workers' collective interests, often resulting in a contradiction and polarity between the interests of the state and the interests of the enterprise. If the state adopts more measures external to the enterprise to restrict the enterprise's activities, the enterprise will have ways to counter this. However, in enterprises where the state holds the controlling shares, the state's interests are combined with the interests of other shareholders, and a mechanism is provided within the enterprise by which the board of directors can safeguard the interests of the owners of the means of production. Seen from this angle, there is a unity of the "two rights" within the enterprise. Some people take the view of the American economist Galbraith and believe that separation of the "two rights" will always result in opposition between the owners and the operating managers, and that this will generally end in injury, of different degrees, to the interests of the owners, resulting in "technocratic" rule by the management strata. In fact, many foreign economists believe that this viewpoint is greatly biased. In general, the basic aims of managers and owners is the same, to have the enterprise achieve the greatest profits. However, in preferences as to the allocation of profits, there may be some differences. The manager will seek to retain much of the profits so as to promote the development of the enterprise, while the shareholders will prefer to distribute more of the profits. Also, there is the possibility that the manager may use his special rights to seek private gain. However, in the end, the manager will have to accept the decision of the board of directors. In other words, the benefits of

dividing the "two rights" far outweigh the disadvantages. The main arguments for the division of the "two rights" are: 1) In terms of individual abilities, the owners may not have the proficiency in operations management and it may not be certain that they would be the best persons to run the enterprise. 2) In terms of the coordination of interests, the plurality of owners and the complexity of interests in modern enterprises requires a manager with production independence as a buffer, and as someone to take into account the interests of the individual shareholders and the relationship between the interests of the shareholders and those of the workers. Thus the division of the "two rights" is inevitable and also necessary.

There is a worry that in stock enterprises, there will be a "confrontation between labor and capital." I feel that in a socialist stock enterprise, it will be necessary and possible to correctly arrange the relationships between shareholders and staff and workers. First, the shareholders will, in general, be workers or workers' collectives, and the largest shareholder, the state, is a general representative of the workers. Thus, the basic interests of the shareholders and workers will be the same. Also, the board of directors should draw in a small number of staff and workers (their function will be mainly to reflect the ideas of staff and workers to the board of directors), and the appointment of the manager will be approved by the workers' congress. All this guarantees that the interests of the shareholders and the staff and workers will be coordinated. Further, ideological and political work done within the enterprises by party committees will be able to alleviate contradictions which occur between the interests of the shareholders, staff and workers and management departments. Finally, the socialist laws and other regulations which exist external to the enterprises are a guarantee that the interests of all sides will be coordinated. Not only should the public ownership and the progressiveness of the socialist system be reflected in the public ownership of some of the production factors (means of production), but all owners of production factors should be able to jointly arrange economic life. One of the greatest problems in our former ownership forms was that we paid little attention to the democratic rights of staff and workers. After state-owned enterprises are turned into stock companies, this problem can probably be resolved quite well.

Here, I will take the opportunity to put forward some ideas on the "nature of dividends" and the "profit-taking stratum" which have caused some debate in theoretical circles. I believe that under socialist conditions, dividends and interest are alike, as they both involve the voluntary use of modern credit relations to organize the resources which the society requires. As long as money is a general equivalent of social wealth and as long as social wealth is uncommon, then the transfer of the right to utilize money will require compensation. As to whether or not this will allow a "profit-takers stratum" to be produced, this will be decided by the inclinations of society. Seen from the above train of thought, after the change of state-owned enterprises into stock companies, the shareholders will mainly be the state and various enterprises and units in the society. Thus the dividends will mainly go to the state and to collectives. As to the income which individual shareholders obtain from their share dividends, if the society does not wish this to be excessive, the state can institute restrictions by means of legislation

and by means of graduated personal income tax rates. This will ensure that, while individual's income within the society will not be equal, it will not be too disparate. In this way, even if professional profit-takers exist, there will not be a sufficient number to constitute a "stratum." In brief, we should use making the economy prosper and improving the people's welfare as the reasons for changes.

There is a new understanding of how, after state-owned enterprises have been turned into stock companies, we will be able to guarantee the leading role for public ownership in the overall national economy. The traditional view held that if we are to guarantee the leading role of public ownership, then we get to ensure that state-owned enterprises hold an absolute majority (over 50 percent) of all the society's fixed assets and labor force. However, the organizational form of the modern stock enterprise shows us that a shareholder only needs to control a certain quantity of shares, from several percent to 10-plus percent to be able to gain control of the enterprise. We have learned from this that in a socialist stock economy, it is only necessary for the state to have a controlling share in those major enterprises important in the national economy, and further to have "participatory control" in those enterprises of lesser importance, for it to be possible to guarantee the leading role of public ownership. We must get rid of the traditional "unitary theory," which holds that an enterprise can only have one owner. The development of the social forces of production has resulted in increasing demands by the circulation and combination of production factors, to break through the divisions of ownership. In current life, different ownership systems, either within a state or within an enterprise, are not absolutely exclusive. They can coexist and combine. Our nation's rural contract responsibility system is a successful example of combination between the collective economy and the individual economy. The high productivity of joint-venture enterprises in the special economic zones is also a result of the mixing of diversified economic components. Seen in terms of world history, the development of ownership systems has been a process from simple to complicated, from unitary to pluralist. Seen from the situation in various countries, there is no country in which various forms of ownership do not exist. The situation in which a single enterprise contains various ownership forms is also very common. Thus, in accordance with the trends of historical development, we should explore the establishment, in China, of mixed economic systems with socialist public ownership playing the leading role.

CSO: 4006/102

NATIONAL POLICY AND ISSUES

LU DONG SPEAKS AT MEETING ON ECONOMIC SITUATION

OW151137 Beijing XINHUA Domestic Service in Chinese 1706 GMT 12 Oct 85

[By reporter Ge Daxing]

[Excerpts] Beijing, 12 Oct (XINHUA)--Lu Dong, minister in charge of the State Economic Commission, spoke today in a meeting held by the commission to analyze the economic situation. He reminded all localities and departments that, while the economic situation is good at the present, it is necessary for everyone to keep a cool head, seek truth from facts, work conscientiously, persist in reform and, focusing on increasing economic results, start making good arrangements for production in industrial and communications fields for the first quarter or even the whole of next year.

Lu Dong said: On the whole, the situation of production in industrial and communications fields since the beginning of this year has been good. But there are still many problems that call for solutions with serious efforts. In drawing up next year's production plans for industry and communications, all localities and departments must pay special attention to the need to maintain a proper and normal production speed and, acting in accordance with market demands at home and abroad, vigorously increase the output of products that will sell well. There must be guarantees for the production of light, textile, and electronic industry products; small commodities and agricultural means of production that are in demand on the market; and export products that are foreign exchange earners. When the production need for the fourth quarter this year contradicts with that for next year in regard to the use of raw materials and funds, the need for next year should have precedence, provided that market supply is guaranteed, in order to ensure a sustained, steady, and balanced development of the national economy.

Lu Dong pointed out: It is imperative to persist in focusing attention on increasing economic results when organizing for production. It should be repeatedly emphasized that quality must be guaranteed first before striving for the goal of simultaneous increase in speed, in profits and tax payments, and in revenue. Quality must never be ignored with a one-sided attitude of aiming only for output value and profits. Efforts should be made to work out carefully thought-out policies, systems, and methods for reducing material consumption so as to realize a cut in material consumption. It is also necessary to pay attention to making up deficits and increasing surpluses.

Lu Dong said: As a result of 5 months of general inspection on quality, initial achievements have been made in reversing the decline in quality, which has started to show improvements. But the development is unbalanced in various localities. There are still many quality problems. At present, emphasis should be placed on the quality of food items, medicines, and durable consumer goods.

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PROVINCIAL AFFAIRS

HEBEI PROVINCE'S ACHIEVEMENTS IN COMMUNICATIONS, TRANSPORT

SK090535 Shijiazhuang HEBEI RIBAO in Chinese 20 Sep 85 p 1

[Text] Our province has earnestly implemented the policy of readjustment, restructuring, reorganization, and upgrading, and has successfully fulfilled all targets of communications construction and transport set in the Sixth 5-Year Plan. By the end of last year, the province's total mileage of highway transport service reached 40,514 km. The mileage of asphalt road transport ranked first in China and the number of second-grade and third-grade roads in use ranked third and second respectively in China. The highway density was more than two times of the national average level.

With the development of the rural economy, a mass campaign of collecting funds to build roads was carried out in the province. The traffic conditions of the rural and mountainous areas have improved. At present, the total mileage of highways in counties and townships throughout the province has reached 28,666 km, thus basically forming a crisscross highway communications network running from cities to countrysides and from plains to mountainous areas.

The improvements in the conditions of highway traffic have promoted the development of highway transportation. By the end of last year, the province as a whole had 114,000 civilian trucks, and 24,890 buses, an increase of 62 percent and 47 percent respectively over 1980, thus ensuring the fulfillment of tasks of transporting the province's major materials and delivering coal from Shanxi to other localities. Our province has also rapidly developed coastal and ocean transportation. At present, our net deadweight tonnage is 78,000 tons. After opening an ocean navigation line between Qinhuangdao and Hong Kong in 1980, we also opened a transport navigation line from Qinhuangdao to Hong Kong and Japan. We have 12 local railways and our annual freight volume ranked third in China. The development of the communications and transport undertakings has promoted industrial and agricultural production and made the lives of the people more convenient.

CSO: 4006/112

PROVINCIAL AFFAIRS

HEBEI PROGRESS IN INDUSTRIAL PRODUCTION REPORTED

SK091258 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 21 Sep 85

[Excerpts] During the Sixth 5-Year Plan period, our provincial industrial department has conscientiously implemented the principle of readjusting, restructuring, consolidating, and improving the national economy, focused on enlivening the enterprises and raising the economic results, and has made rapid progress in industrial production.

In the first 4 years of the Sixth 5-Year Plan period, the yearly average increase of the province's total industrial output value was 8.1 percent. The province has overfulfilled the Sixth 5-Year Plan 1 year ahead of schedule if calculated in terms of the fixed target of 26.9 billion yuan of total industrial output value in 1985. Along with the ceaselessly deep development of the economic system reform and the implementation of the principle of opening to the outside world and enlivening the domestic economy, the industrial enterprises across the province have been further vitalized, and more rapid progress has been made in collectively owned enterprises. In 1984, the total output value realized by the collective enterprises of the province was more than 7.76 billion yuan, an increase of 84 percent over 1980. In the first 8 months of this year, the output value realized by these enterprises increased by 47.9 percent over the corresponding period of last year.

Through readjusting the industrial structure during the Sixth 5-Year Plan period, the proportion of the light and heavy industries has gradually been balanced. The proportion of the light and heavy industries was 44.6 percent to 55.4 percent in 1980 and 47 percent to 53 percent in 1984.

With regard to heavy industry production, the metallurgical industry has enthusiastically developed new products and continued to develop the sphere of service. Comparing 1984 to 1980, the output of steel increased by 22.4 percent, that of steel products by 41.2 percent, and that of steel pipes and strip steel, which are urgently needed by the light industrial market and in agricultural production, by 2 to 4 times.

All energy production departments have fully tapped the potential of the enterprises, made efforts to practice economy and increase production, and enthusiastically made contributions to the industrial and agricultural



development. Comparing 1984 to 1980, the electrical energy production increased by 23 percent, the output of raw coal increased by 3.5 percent, and the processing volume of crude oil increased by more than 1 time. The output of such major building materials as cement and plate glass increased by 41 percent and 78 percent, respectively, over the initial stage of the Sixth 5-Year Plan period. The targets for the output of many products set in the Sixth 5-Year Plan had been prefulfilled.

In the January-August period of this year, the enterprises covered by the provincial unified plan had made good achievements in registering increases in the growth rate of production, the realization of profits and taxes, and the financial revenue at the same speed.

CSO: 4006/112

PROVINCIAL AFFAIRS

BEIJING HOLDS PEOPLE'S CONGRESS STANDING COMMITTEE MEETING

SK102345 Beijing City Service in Mandarin 1000 GMT 26 Sep 85

[Excerpts] The 23d Standing Committee meeting of the 8th municipal people's congress opened today. At the meeting, Chairman Zhao Pengfei first introduced to the committee members the grand occasion of the National Conference of CPC Delegates and talked about his experience attending it.

After that, the committee members devoted a day to conscientiously study and discuss the documents of the 4th Plenary Session of the 12th CPC Central Committee, the National Conference of CPC Delegates, and the 5th Plenary Session of the 12th CPC Central Committee.

Beginning tomorrow, the standing committee meeting will implement the following five-point agenda:

1. Examine and discuss the draft provisional regulations regarding the implementation of water pollution prevention law of Beijing Municipality.
2. Hear and discuss a report of the municipal government on the implementation of the national economic and social development plan in the first 8 months of this year.
3. Hear and discuss a report of the municipal government on partly changing this year's financial budget.
4. Hear and discuss a report of the municipal government on the implementation of the economic contract law and the future suggestions.
5. Decide on the appointment and removal of personnel.

CSO: 4006/112

PROVINCIAL AFFAIRS

FUJIAN CIRCULAR ON STUDYING CPC DOCUMENTS

OW101115 Fuzhou FUJIAN RIBAO in Chinese 28 Sep 85 p 1

[Fujian Provincial CPC Committee 28 September 1985 Circular]

[Excerpts] The National Conference of CPC Delegates, which was victoriously convened not long ago, discussed and adopted the "Proposal of the CPC Central Committee for the Seventh 5-Year Plan for National Economic and Social Development," which sets forth the guiding thought and strategic principles for the new 5-year plan. The conference also partially readjusted the central leading organs, making them more vigorous and dynamic. These two important developments have vital bearing on the overall situation. They are of utmost strategic importance for the work during the next few years, which will be of decisive significance for achieving the party's general tasks and targets during the new period. They are also important for accelerating the process of the nation's four modernizations, ensuring the continuity of party principles and policies, and achieving long-term stability in the country. This is why all party members must earnestly study and implement the guidelines set forth by the conference. It is on this basis the circular with the following requirements is issued:

1. During the period between now and the end of this year, party committees at all levels must work out effective measures to organize cadres and masses inside and outside the party to study the "Proposal," the speeches by Comrades Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian, and Chen Yun at the conference, and the documents of the 4th and 5th Plenary Sessions of the 12th CPC Central Committee. While it is necessary to fully understand the documents' essence, we must handle and settle the following major issues: Correctly understand the nation's present economic and political situation so that we can march forward and deal with problems with greater confidence and courage; thoroughly understand why continuing to promote the succession of new cadres to the positions of the old and their cooperation within leading party organs at all levels is important for ensuring the continuity of party policies and reforming the management of cadres; thoroughly understand the guiding thought for the objectives of the Seventh 5-Year Plan, as well as the strategic principles and major policies for economic and social development during the next several years; clearly understand that reform must be placed above all else, that reform and construction must adapt to each other and enhance each other, and that we must always uphold the two

basic principles--the predominance of the socialist public sector of the economy, and common prosperity--in the course of reform; firmly keep in mind that efforts must be made to build a material civilization and promote socialist ethics at the same time, intensify and improve ideological and political work, propagate the four cardinal principles in a thoroughgoing way and extensively, educate the people to the idea that they should strive to become educated with lofty ideals and a sense of morality and discipline, and that they should study basic Marxist theories; and continue to rectify the party organizations, working hard to achieve a fundamental change for the better in party conduct and general social conduct as quickly as possible so that the building of socialist material civilization can be expedited.

2. We must keep firmly in mind the actual situation of our province and its various regions and departments while studying and propagating the documents of the National Conference of CPC Delegates. The guidelines of the conference should be used to guide and push the various projects forward. In light of the principles for restructuring the economic system, opening to the outside world, and enlivening the domestic economy, we must give full scope to Fujian's mountainous and sea resources, its special economic zones, and its being a province with many people who have relatives abroad in building up its eight bases, in properly developing the province's coastal and mountainous areas, in achieving better economic results and better quality of products, and in maintaining an appropriate rate of growth so that Fujian's economy can develop in a sustained, steady, and coordinated manner. While building a material civilization, we must step up promoting socialist ethics, continue to improve party conduct and general social conduct, resist and combat the inroads of all kinds of decadent capitalistic and feudalistic ideas, and firmly adhere to the socialist course in restructuring the economic system and in carrying out economic development.

3. All journalistic, broadcasting, and television units as well as cultural and publishing units and units engaged in theoretical work must effectively propagate the guidelines set forth by the National Conference of CPC Delegates with colorful and lively means. We must fully understand what the broad masses of cadres and people really think and be able to accurately answer their specific questions persuasively in accordance with the guidelines set forth by the conference. Our propaganda work must be down-to-earth and practical. It must never be one-sided or formalistic.

4. We must firmly intensify organizational leadership over the study and propagation of the guidelines. Leading cadres at all levels, particularly those of county-level party committee and above, must be personally involved in organizing the study and propagation of the documents while taking the lead in studying them. Propaganda departments at all levels must, under the leadership of party committees, earnestly organize the study and propagation of the documents.

It is hoped that how various regions and departments study and propagate the documents will be promptly reported.

CSO: 4006/112

PROVINCIAL AFFAIRS

BEIJING ACHIEVEMENTS IN ECONOMIC ASPECT

SK110408 Beijing City Service in Mandarin 1000 GMT 29 Sep 85

[Text] (Ma Chaoyun), deputy director of the municipal planning commission, entrusted by the municipal people's government, delivered a work report at the standing committee of the municipal people's congress, in which he stated: Since early this year, the municipality has achieved a good situation in implementing the plan for the national economy and social development and has maintained a good trend of steady, stable, and harmonious development in the national economy. Majority of the main targets set forth by the Sixth 5-Year Plan have been prefulfilled.

In his work report, (Ma Chaoyun) stated: During the January-August period, the municipality realized 20.8 billion yuan in the total industrial output value, a 14.8 percent increase over the figure of the corresponding 1984 period. The major change in industrial production is as follows: Better economic results were produced. The state industrial enterprises showed an average increase of 12.5 percent in production while somewhat reducing the number of staff members and workers, and an average increase of 14 percent in labor productivity. The industrial enterprises whose products are covered by the local budget realized 2.41 billion yuan of profits and taxes, a 24.1 percent increase over the figure of the corresponding 1984 period. These enterprises also scored marked achievements in saving energy and water.

The municipality's total output of summer grain this year is 1.47 billion jin, and the per mu yield of summer grain has topped the previous peak. The municipality has also achieved faster development in the production of nonstaple foodstuffs.

In his work report, (Ma Chaoyun) stated: The municipality has made a rapid progress in capital construction and has fulfilled or prefulfilled the targets set forth by the plans for the 17 state key projects. The investment in municipal administrative facilities surpassed the figure of the corresponding 1984 period by 68.8 percent. Three overpasses in the northern districts have been completed; the (Tianchunshan) water plant has begun to supply water; the Jing-Kai highway has been opened to traffic; the Jing-Liang highway has been also completed; and the project of setting up pipeline of natural gas is under rapid construction. During the January-August period,

the municipality began to build houses on 18.71 million square meters of floor space, of these houses, dormitories occupy 10.87 million square meters. Teachers' dormitories which occupy 80,000 square meters will be completed this year.

In his work report, (Ma Chaoyun) stated: During the January-August period, the municipal markets enjoyed brisk business and the total retail sales reached 8.08 billion yuan. The municipality did a good job in withdrawing circulating currency and the deposits of the people in both urban and rural areas showed a rapid increase. As of the end of August, the total volume of the deposits reached 4.98 billion yuan, showing a daily average increase of 4.52 million yuan, topping the previous peak.

During the January-August period, the municipality fulfilled the annual tax revenue plan by 84.4 percent, a 42.7 percent increase over the figure of the corresponding 1984 period. The municipality has also accelerated the pace of conducting reforms in science and technology and achieved a large number of gratifying research results. In readjusting educational structure, the municipality has also scored better achievements and prefulfilled the targets set forth by the municipal plan for building spiritual civilization. In addition, the municipality has basically brought the consumption funds under control.

CSO: 4006/112

PROVINCIAL AFFAIRS

YUNNAN PEOPLE'S CONGRESS STANDING COMMITTEE MEETS

HK090436 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 7 Oct 85

[Excerpts] The 17th meeting of the 6th provincial people's congress standing committee opened in Kunming today. There are seven items on the agenda: To study the spirit of the National Conference of CPC Delegates; to hear and discuss a report by the provincial people's government on reform of the province's system of science and technology; to consider and adopt a provisional draft for enacting local statutes prepared by the Yunnan Provincial People's Congress Standing Committee; to hear and discuss a report on the province's pricing work prepared by the provincial people's government; to hear and discuss a report on enforcement of the pharmaceuticals law and on prohibition of poor quality and sham medicines prepared by the provincial people's government; to discuss a written report on handling the motion adopted at the third session of the sixth provincial people's congress for speeding up the building of the province's scientific management system; and to approve appointments and removals.

Li Guiying, chairman of the provincial people's congress standing committee, presided over the plenary session of the meeting this morning. She also said a few words about her personal understanding in studying the spirit of the National Conference of CPC Delegates. She said: The conference approved proposals for the Seventh 5-Year Plan and completed the transfer of power to a younger generation of officials in the central leading organs. This is of great and far-reaching significance. The primary task for our provincial people's congress standing committee now is to conscientiously study, publicize, and apply the spirit of the conference and of the speeches by the central leading comrades. Through the study and implementation of the spirit of the conference, we must enhance our consciousness in persisting in the four cardinal principles and in carrying out the policy of opening up to the world and invigorating the domestic economy as well as other party policies. All members of the provincial people's congress standing committee must do their own job well.

CSO: 4006/112

PROVINCIAL AFFAIRS

NI XIANCE SPEAKS AT JIANGXI GOVERNMENT MEETING

OW111147 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 8 Oct 85

[Excerpts] The Jiangxi Provincial People's Government held a plenary meeting on the morning of 8 October. The meeting stressed that all departments should seriously study, publicize, and implement the guidelines of the National Conference of CPC Delegates, work hard in unity, continue to pay attention to economic work in the fourth quarter, and further consolidate and enhance the excellent situation.

Ni Xiance, deputy secretary of the provincial party committee and governor of Jiangxi Province, conveyed the thoughts of the central leading comrades on economic work, and put forward tentative ideas on Jiangxi's Seventh 5-Year Plan. Jiang Zhuping, member of the standing committee of the provincial party committee and vice governor of Jiangxi Province, spoke. Present were Qian Jiaming and (Wen Quye), vice governors of Jiangxi; Fang Qian, adviser to the provincial government; and Zhang Fengyu, secretary general of the provincial people's government.

Comrade Jiang Zhuping emphasized: We should firmly carry out market work. Reform of the pricing system must proceed in accordance with the unified state plan. We must resolutely take measures to investigate and correct the current phenomenon of arbitrarily increasing or driving up prices, in violation of government policies.

Comrade Jiang Zhuping emphasized: Governments and departments at all levels should attach importance to, and do a good job in, the ongoing general inspection of financial work, revenues, and commodity prices. Education in financial and economic discipline should be carried out in the course of the inspection. The wrongdoing of violating financial and economic discipline must be corrected.

CSO: 4006/111



PROVINCIAL AFFAIRS

SHANXI ISSUES CIRCULAR ON CORRECTING EXTRAVAGANCES

HK101403 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 9 Oct 85

[Text] Recently the provincial CPC committee issued a circular, demanding that all areas, departments, and units correct the unhealthy trends of extravagance and waste. The circular pointed out that the unhealthy trends are an indication of impure party style and are very harmful. Therefore it is necessary to pay serious attention to and correct them. The provincial CPC committee raised the following demands: 1) The building of offices and guesthouses should be carried out in a planned way on the premise of continuous economic development and increasing financial income on the principle of acting according to one's ability and being industrious and thrifty in building practical and tasteful offices and guesthouses. It is absolutely impermissible to build houses beyond prescribed requirements. It is necessary to go through the procedures for examining and approving the building of various houses. Planning, banking, financial, and auditing departments must strengthen their supervision. 2) The building and furnishing of leading comrades' offices and houses should accord with financial ability and be carried out in a plain way instead of a special way. 3) Party and government organs at all levels are provided with cars for their work according to the stipulations and plan of the state. They are not allowed to buy cars themselves, let alone luxury cars. All areas and departments should report the cars they have bought in violation of regulations and financial discipline to the provincial office for controlling the purchasing power of social organizations for disposal. 4) It is impermissible to use public funds to entertain guests, to present gifts to others, and to eat and drink extravagantly.

The provincial CPC committee demanded that leading cadres at all levels always bear in mind the party's basic objective of serving the people wholeheartedly, uphold and carry forward the revolutionary tradition of working hard and perseveringly, perform their duties, work hard, lead the masses in getting rid of poverty and becoming rich, and carry out the province's four modernizations better.

CSO: 4006/111

PROVINCIAL AFFAIRS

XINJIANG: CENTRAL DELEGATION TOURS CITIES

HK111151 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 Oct 85

[Excerpts] Accompanied by the leading comrades of the regional party, government and military, the deputy heads of the central delegation Hao Jianxiu, Seypidin Aizezi, Burhan, Tao Zhiyue, Zhou Wenyuan, Xu Qing, Wang Guoquan, Ren Ying and Chen Xin; as well as other members of the delegation today continued to tour Changji, Ili, Urumqi, and [words indistinct]. The delegation conveyed the greetings of the CPC Central Committee and the State Council to the region's various nationalities. The delegation was warmly greeted by the local cadres and people.

This morning, at the Changji Hui Nationality Autonomous Prefectural People's Government meeting to welcome the delegation, Hao Jianxiu made an enthusiastic speech. He spoke highly of the achievements made by the autonomous prefecture in the past 31 years since its founding. He encouraged the prefecture's people of various nationalities to further unite and to promptly and with good quality build the autonomous prefecture into one of Xinjiang's best places, so as to make remarkable contributions to Xinjiang's socialist modernization.

On behalf of the central delegation, Comrade Hao Jianxiu presented gifts to Changji Hui Nationality Autonomous Prefecture. This was followed by a meeting between Hao Jianxiu and his party and the autonomous prefecture's cadres at and above county level. They also had a group photo taken to mark the occasion.

This afternoon, Hao Jianxiu and his party visited the Changji cotton textile factory and the Xinjiang woolen mill.

Deputy heads Seypidin Aizezi and Chen Xin visited (Huiyuan) Town, Hotan County, this morning. Then, the central delegation went to (Huorguozikouan). They visited and presented gifts to the frontier guards.

Deputy head Burhan today visited the No 1 Xinjiang radio factory, the Urumqi youths palace, the (Yujimu) primary school, and rural specialized households of Urumqi County.

This morning, the No 6 agricultural division of the Production and Construction Corps held at [words indistinct] a cadre meeting to welcome the central delegation. The meeting was attended by deputy head Tao Zhiyue and other members of the central delegation. Tao Zhiyue, 92 years old and the first commander of the Production and Construction Corps, delivered a speech at the meeting.

This morning deputy heads Zhou Wenyuan and Wang Guoquan, as well as other comrades of the central delegation, departed Keshi City by car for (Fupan) Town, Shufu County, which was recently hit by a strong earthquake. They visited and showed solicitude for the local people. At the makeshift tent of the relief headquarters, Shufu County CPC Committee Secretary (Wang Aishan) reported to the central delegation: With the concern of the CPC Central Committee, the State Council and the regional CPC committee following the occurrence of the earthquake and with the great support of party and government organizations, as well as PLA units and all trades, the local people have fought against the disaster and have rebuilt their own town. They have also rapidly restored production. At present, some 74 percent of the town's peasants have built their new houses, and about 70 percent of them have moved into their new houses. Public order is presently stable.

It is expected that they will have moved into their new houses by winter.

Zhou Wenyuan spoke highly of the achievements made by the town. He encouraged the town to further carry forward the glorious tradition of the Chinese nation, that is being industrious, brave, and braving all difficulties.

This morning, deputy head Xu Qing went to the border sentry at Altaw Pass. He visited the frontier guards who guard the border area all year long. He asked about their work and livelihood, and conveyed the profound concern of the CPC Central Committee and the State Council for the frontier guards.

CSO: 4006/111

SHANXI COMMENTARY CALLS FOR CORRECTING EXTRAVAGANCE

HK101405 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 9 Oct 85

[Station commentary: "Resolutely Correct the Unhealthy Trends of Extravagance and Waste"]

[Text] Recently some party and government organs, departments, and units have gone in for ostentation and displayed their wealth. As a result, the unhealthy trends of extravagance and waste have once again become apparent. Moreover, the unhealthy trends are becoming more and more serious in the course of units competing with each other in displaying their wealth and ostentation. This should merit the serious attention of leaders at all levels.

The unhealthy trends of ostentation and displaying one's wealth, and going in for extravagance and waste run counter to our party's fine tradition, and directly jeopardize our economic construction and reform. The unhealthy trends are a style of a prodigal. In recent years our production has developed fairly quickly, social wealth has increased, and people's life has been improved, but we are still very poor and most people are far from rich. Our town and township enterprises have just developed, our agriculture, education, science, and technology are still very backward, and we need money in many fields. Under such circumstances, leading comrades at all levels must deeply understand their duties and missions, proceed from the objective of serving the people wholeheartedly, enhance their vigor, work hard and perseveringly, lead the masses in getting rid of poverty and becoming rich, and spend limited funds on developing production, education, science and technology first and on helping the masses to overcome their difficulties in production and daily life, but not on seeking comforts. A handful of leading comrades have retained money that should be submitted to the state and special funds that should be allocated to lower levels and have used the money and funds to build high-class guesthouses and residential houses, and to buy luxury limousines and other consumer goods. This has violated financial discipline and reflects our impure party style. The vast number of cadres and masses detest this as it has seriously impaired our party's image.

The National Conference of CPC Delegates, which ended not long ago, has called on the whole party to seriously and effectively improve our party

style and strengthen political and ideological work, and have demanded that leaders at all levels pay serious attention to the matter and set a good example in this respect. We must raise our consciousness from the high plane of correcting our party style, and take effective measures to seriously correct the unhealthy trends in some places of displaying ostentation and wealth and going in for extravagance and waste so as to have a good start in implementing the spirit of the National Conference of CPC Delegates and seriously correcting our party style.

CSO: 4006/112

PROVINCIAL AFFAIRS

HEILONGJIANG REPORTS ILLEGAL PURCHASES OF SCRAP STEEL

SK100456 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 9 Oct 85

[Text] The quantity of scrap iron and steel collected and turned over to the state notably declined in our province this year. In order to change this situation, a pertinent department of the province decided that a system under which the use of state steel products is linked with the delivery of scrap iron and steel will be put into effect beginning next year.

Scrap iron and steel which are allocated by the state in a unified way are an important raw material for steel foundry, casting, and producing small and medium-sized farm tools and hardware products. Our province can produce more than 500,000 tons of scrap iron and steel each year and reclaim about 450,000 tons.

The state has stipulated in explicit terms that the waste and used material reclamation enterprises of material supply and marketing departments should be responsible for collecting and managing these resources. However, over the past 2 years or so some trade warehouses, small steel plants, iron smelting plants, and unlicensed self-employed businessmen of our province have engaged in the collection and management of scrap iron and steel without permission. They purchased the scrap iron and steel at high prices and used it to smelt iron to produce low-quality steel ingots, thus wasting resources and energy. Some of them resold the scrap iron and steel to gain a greater profit.

According to incomplete statistics of 24 cities and counties of our province, the units and individuals engaged in this business without approval totaled 631. Some of these enterprises exchanged the scrap iron and steel for steel products with other provinces. This caused a large outflow of resources and made our province unable to fulfill the state-assigned plans for delivering scrap iron and steel last year. Compared with the same period last year, the amount of scrap iron and steel collected and delivered to the state declined by more than 20 percent in the first 8 months of this year.

In order to fully collect and rationally use our province's resources of scrap iron and steel, a pertinent department of the province announced the stipulations on strengthening control over scrap iron and steel at the provincial work conference on reclamation of metals which concluded today.

Effective next year, the entire province will implement the method of combining the delivery of scrap iron and steel to the state with the state steel product distribution plan. In this way, the use of steel products will be linked with the collection and delivery to the state of scrap iron and steel. Those who use steel products should turn over scrap steel to the state. Those who overfulfill their delivery plans will be awarded and those who fail to fulfill the plans will have their distributed steel products deducted.

The conference also set forth the demands for improving the scrap iron and steel purchasing work of small steel plants, collective enterprises, and self-employed businessmen in order to straighten out the province's management of scrap iron and steel and ensure its fulfillment of the scrap iron and steel collection and delivery plan.

CSO: 4006/112

PROVINCIAL AFFAIRS

YUNNAN CONGRESS STANDING COMMITTEE ON CONTROLLING PRICES

HK111147 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 10 Oct 85

[Text] This morning, the 17th meeting of the 6th Provincial People's Congress Standing Committee held a plenary session. Provincial People's Congress Standing Committee Vice Chairman Qi Shan presided over the session.

The session listened to the report of provincial commodity price bureau director (Wang Weicai), who prepared the report on behalf of the provincial people's government, on the situation in the province's commodity price work. Comrade (Wang Weicai) reported the situation in three areas: First, commodity prices; second, the major problems; third, the preliminary analysis of the price trend for the second half of this year and measures for controlling prices.

He said: In accordance with the principle determined by the central authorities and the centralized planning of the State Council, the province did not have large-scale fluctuations in its pricing structural reform. Therefore, the province succeeded in the significant first step. The present problems in pricing are those that develop in the course of progress. We believe that as long as we seek a common understanding, make concerted efforts and adopt resolute and practical measures, we will be able to control the market price and smoothly carry out reforms.

The session also listened to the report of provincial public health department deputy director (Ou Zhenkang), who prepared the report on behalf of the provincial people's government, on the provincial situation in implementing the PRC law on supervising medicines and of examining illegal medicine.

In his report, Comrade (Ou Zhenkang) said: Since the implementation of the PRC law on supervising medicines, the province has organized the study and popularization of the law, and has strengthened the examination organizations of public health administrative departments. The province has also begun the work of examining medicines, issuing permits and banning illegal medicines. The province has made progress in this work. In order to ensure the people's health and safety and to further ban illegal medicines, we must continue to study and publicize the law on supervising medicines. We must heighten our understanding, resolutely ban illegal medicines, and seriously hit at the crime of producing and selling illegal medicines. At the same



time, we must examine the medicines in a serious way and strive to fulfill the work of issuing permits for legal medicines. We must strengthen supervision over the medicine circulation channels and build the examination organizations. In addition, we must strengthen our supervision, formulate local regulations, and further strengthen according to law the province's supervisory work on medicine.

CSO: 4006/106

PROVINCIAL AFFAIRS

SHANDONG HELPS POOR AREAS DEVELOP ECONOMY

OW132126 Beijing XINHUA Domestic Service in Chinese 1203 GMT 10 Oct 85

[By reporters Wang Jinye and Liu Guanghui]

[Excerpt] Jinan, 10 Oct (XINHUA)--Shandong Province is making earnest efforts to help the Yimeng mountainous area develop its economy. The efforts have been well received by the people in the mountainous areas.

The efforts have been successful because the leadership has done a great amount of investigation and is sure how things stand. Before taking measures to help the mountainous area, they conducted three relatively large-scale investigations. The first was "survey of 100 villages" organized by the Linyi Prefectural CPC Committee. The investigation truly reflected that despite continued economic development in the Yimeng mountainous area, some peasants there still lacked adequate food and clothing. The result of this investigation aroused the attention of the provincial CPC committee and government. The second investigation was headed by Li Changan, deputy secretary of the provincial CPC committee and provincial governor, who with some 20 responsible comrades of departments and bureaus visited 6 impoverished counties, a dozen or so districts, 14 mountain villages, and some 40 poor peasant households. They made rather thorough investigations and analysis of the impoverished situation, the causes of slow economic development, and ways to help the people prosper. The third investigation was carried out under the unified leadership of the prefectural CPC committee, with every county sending more than 100 cadres to visit from village to village and from door to door to make inquiries and collect information.

Thorough investigation enabled leadership at all levels to have a better understanding of the Yimeng mountainous areas and further enhanced their determination and sense of urgency to transform the area's impoverished state.

CSO: 4006/106

PROVINCIAL AFFAIRS

JILIN ENLARGED CPC STANDING COMMITTEE MEETING

SK140045 Changchun Jilin Provincial Service in Mandarin 1030 GMT 11 Oct 85

[Text] On 7-8 October, the Jilin Provincial CPC Committee held an enlarged Standing Committee meeting to relay the guidelines of the National Conference of CPC Delegates and the 4th and 5th Plenary Sessions of the 12th CPC Central Committee, and to make plans for current work.

Attending the meeting were standing committee members of the provincial CPC committee; members of the party leading group under the provincial government; and principal responsible comrades of the provincial advisory commission, the provincial people's congress, and the provincial discipline inspection commission; principal responsible comrades of the departments and commissions under the provincial CPC committee; relevant departments under the provincial government; and mass organizations, as well as principal responsible comrades of all city, prefectural and autonomous prefectural CPC committees and governments.

Wang Xianjin, Gao Dezhan, and Wang Zhongyu, deputy secretaries of the provincial CPC committee, made speeches on problems relating to current work. Comrade Gao Di, secretary of the provincial CPC committee, delivered a brief summary speech.

The meeting called on party organizations at all levels across the province to conscientiously study and implement the guidelines of the National Conference of CPC Delegates and to take the guidelines of the conference as motive forces to conscientiously attend to current work with the focus on disaster-combat and relief work.

First, we should conscientiously study and disseminate the guidelines of the National Conference of CPC Delegates and seek unity of thinking and action by the broad masses of party members, cadres, and people.

The meeting held that the documents and speeches of some Central Committee Standing members adopted and delivered at the National Conference of CPC Delegates are of great significance and have had a profound impact. We must conscientiously study, disseminate, and implement them. We should focus on studying, disseminating, and implementing the guidelines of the National Conference of CPC Delegates. At present we should concentrate on solving

problems concerning having a clear understanding of the current situation. This year our province suffered the most serious natural disasters this century. Grain production and income are expected to be reduced by a big margin. The disasters not only have brought about difficulties for this year's production and income but also will bring about difficulties the next 1 or 2 years. So leading cadres at all levels must fully and clearly understand the situation as well as realize the seriousness of the difficulties and the favorable conditions for overcoming difficulties. Under the correct leadership of the CPC Central Committee, with a material base in which we have had bumper agricultural harvests in the past few years, and through the concerted efforts of the broad masses of party members, cadres and people across the province, we will certainly overcome the difficulties and create a splendid future.

The meeting urged that CPC committees and leading cadres at all levels should play an exemplary role in studying these documents and speeches and pay special attention to organizing forces to disseminate the guidelines of the conference among disaster-stricken areas, the areas with great difficulties, and the teachers and students of institutions of higher learning; conduct well ideological and political work; and unify the thinking of the cadres and people with the guidelines of the National Conference of CPC Delegates.

Second, we should firmly and really attend to the current work with the focus on disaster-combat and relief work.

The meeting held: We have much work to do at present--the fourth quarter of this year. A matter of urgency is to firmly and really attend to disaster-fighting and relief work before the freezing weather. Leaders of all localities and departments should concentrate energy on making careful arrangements, setting up a responsibility system, and firmly and really attending to the work. Leaders should first well solve problems requiring urgent solution that directly affect the livelihood of the people and next year's production. 1) Efforts must be made to provide the disaster-stricken people with houses, to ensure them to pass the winter safely, and to help make good arrangements and preparations for spring sowing work next year; 2) efforts must be made to timely repair and restore the irrigation works damaged by the floods to ensure water storage and irrigation work next year; and 3) efforts must be made to firmly attend to fall plowing work and harrowing work in order to ensure proper arrangements for the next spring's sowing work.

The meeting called on the broad masses of cadres and workers throughout the province to further be inspired with enthusiasm, to try by every means possible to comprehensively fulfill or overfulfill this year's plans, and to strive for increasing production, practicing economy, increasing revenues and reducing expenditures to support the disaster-combat and relief work. Governments at all levels and the departments in charge of economic work should enhance leadership to keep an overall balance and coordination between various sectors of the economy, and conscientiously organize industrial production in the fourth quarter of this year. In line with the scale decided by the state, we should make efforts to fulfill the plans for capital construction and technological transformation, ensure the fulfillment or

overfulfillment of the tax revenue task, unswervingly attend to the work of turning losses into profits, strictly control expenditures, strictly control the increase in consumption funds, and strengthen the management of credit funds.

The meeting called on party and government leaders at all levels to grasp savings work. The broad masses of cadres, workers, and people should enthusiastically participate in saving. This gives backing to the nation's construction as well as beneficial assistance to the disaster-stricken areas.

Third, CPC committees at all levels should conscientiously and firmly build a socialist spiritual civilization and enhance the political awareness and moral level of party members, cadres and the people. We should first attach importance to the work of further correcting party style. In line with our province's reality, at present we should focus on correcting three unhealthy trends. The first is to correct the trend of giving dinners and presents. The second is to correct the trend of extravagance and waste. The third is to correct the trend of practicing fraud. The units that have finished, are carrying out, or have not carried out party rectification work should correct the unhealthy trends of being divorced from the masses and conscientiously solve existing problems. We must neither engage in idle talk nor carry out the party rectification work perfunctorily.

We should strive to improve social practice. We should vigorously launch education on having lofty ideals, moral integrity, education, and a sense of discipline. In line with the people's ideological reality, we should seek truth from facts to explain the current policies and the issues that the masses have shown concern over. We should pay attention to strengthening leadership over ideological and cultural work and achieve the management of the [word indistinct] in the cultural field. The ideological, cultural, educational, and public health departments should regard social education as the only criterion for all activities. In accordance with the demands of socialist spiritual civilization, these departments should strive to do their jobs well.

Fourth, we should carry out party rectification work in accordance with the standards for this work.

The meeting called on all party rectification units to spend about 15 days in conscientiously studying the documents adopted at the National Conference of CPC Delegates. Through studying these documents, these units should attach importance to solving problems in two fields. The first is to resolutely examine and correct all unhealthy practices. The second is to further seek unity of thinking concerning reforms and to correct wrong and confused ideas hampering the progress of the reforms in order to promote and ensure the sound progress of reforms.

Fifth, we should conscientiously make good arrangements for the livelihood of urban and rural people. In the near future we should focus on attending to such three tasks as the supply of autumn vegetables, the supply of coal for heating use, and purchasing grain. CPC committees and governments at

all levels, in particular party and government leaders in big and medium-sized cities, should attend to the work relating to providing every household with vegetables the next half year. Efforts must be made to ensure the supply of coal for heating use to residents and, in particular, schools. We should attend to purchasing grain and stabilize the grain market.

The meeting decided to hold the fifth enlarged plenary session of the fourth provincial CPC committee at a proper time by the end of this year to deeply study and implement the guidelines of the National Conference of CPC Delegates, to examine and sum up our province's work in 1985, to discuss and make plans for next year's work, and to discuss the issues concerning the fulfilling of our province's long-term plan and Seventh 5-Year Plan. While attending to the current work, all localities and departments should conduct investigations and studies to make essential preparations for holding well the fifth enlarged plenary session.

CSO: 4006/111

PROVINCIAL AFFAIRS

SICHUAN LEADERS DISCUSS CURRENT SITUATION

HK130343 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 13 Oct 85

[Excerpts] In connection with reality, leading comrades of the provincial CPC committee standing committee and the people's government have seriously studied the documents of the National Conference of CPC Delegates and demanded that the comrades of the whole party cherish the excellent situation and work to consolidate and develop it.

How should we view the current situation? On 10 October, leading comrades of the provincial CPC committee standing committee and government first discussed this question while studying the documents of the National Conference of CPC Delegates. This is a very important question. The leading comrades held that whether we can apply the scientific method of Marxism to correctly analyze and view the situation is related not only to drawing up the party's principles and policies but also to our confidence and resolve in persisting in reform and building socialism with Chinese characteristics. If this question is solved well, other work can be done well.

The participants held: At present there are two one-sided views of the situation. One holds that the situation is very good, and there are no problems; the other that there are many problems and the situation is not good.

How should we in fact view the current situation? The leading comrades held that, first, we must uphold the Marxist ideological line of seeking truth from facts and make estimates according to the facts. We must both affirm the achievements and also see the existing problems. If we overestimate the achievements, we are prone to become hot-headed; to underestimate them is not helpful for continuing our advance.

Second, we must persistently apply Marxist dialectical and historical materialism to view the situation.

Recalling the history of the nearly 7 years since the 3d Plenary Session of the 11th CPC Central Committee, they held that as in the whole country, this has been one of the best periods in Sichuan since the founding of the state. Total value of industrial and agricultural output in 1984 was 67.1 billion yuan, an increase of 62.4 percent over 1980, having risen at an

annual rate of 12.5 percent. The average annual increase in agriculture was 11 percent and that in industry 13.4 percent. There has been great development in township and town enterprises. In 1984 their output value was 8.8 billion yuan.

The province has recorded sustained, coordinated, and steady growth in industrial and agricultural output. Total industrial output value from January to September this year was 33.3 billion yuan, a rise of over 20 percent compared with the same period last year. Output value of the township and town enterprises reached 9.8 billion yuan.

Despite a drop in grain production, the province has reaped a bumper harvest of industrial crops. The net income of the peasants has increased somewhat. The people's living standards have improved considerably in recent years. The problem of food and clothing for the peasants has been basically solved. There has been a notable improvement in living standards for urban workers.

All these things are the results of upholding the line, principles, and policies of the 3d Plenary Session of the 11th CPC Central Committee and of persevering in reform. This is the main current and the essence of the situation. So long as we persistently carry out reform, the situation will get better and better.

The participants held: While looking at the excellent situation, we must also squarely face the existing problems and work to solve them. The current main problems are: Politically, there are still some factors for instability; there has been no fundamental turn for the better in party style and social mood; for instance there is rather serious abuse of power, bureaucratism, anarchism, random bonus payments, and other problems in some places. There are also many problems in economic work. Due to the readjustment of the structure, natural disasters, and the inability of replacement rice strains to keep up with requirements, together with excessive occupation of farmland by capital construction, and so on, grain production in the province has dropped.

The circulation field has been enlivened. However, problems have appeared in some places due to poor management. Prices of certain nonstaple foodstuffs have risen quite high. There has been an increase in economic crime. Foreign exchange controls have not been strictly enforced. We have imported too many high-grade consumer goods.

The participants held: These are new problems which have arisen in the process of replacing the old system with the new. They are problems in work and on the path of advance. They are side currents. So long as the leaders keep clear heads, face these problems squarely and attach importance to them, and step up investigation and study, make specific analysis of specific problems, put forward ways of solving them, and do their work in a sound way, it will not be difficult to solve these problems.

CSO: 4006/111



PROVINCIAL AFFAIRS

HUNAN GOVERNOR REPORTS ON WORK TO NPC INSPECTION GROUP

HK140339 Changsha Hunan Provincial Service in Mandarin 2300 GMT 13 Oct 85

[Excerpts] On the afternoon of 13 October, members of the NPC Standing Committee's Hunan inspection group including Wang Fu and Deng Jiatai, listened to a report given by the provincial government. Provincial CPC Committee Secretary Mao Zhiyong attended the meeting.

Governor Xiong Qingquan reported on the basic situation and the state of economic and educational work in Hunan. He said: It is estimated that total agricultural output value this year can reach 18 billion yuan, an increase of 6 percent over last year. Total value of industrial output from January to September was 19.828 billion yuan, an increase of 17.7 percent over the same period last year. After several successive years of steady increase, financial revenue from January to September amounted to 90.18 percent of the year's budget. New progress has been made in reforming the economic structure.

Xiong Qingquan said: There are also some problems in the province's economic work this year. For instance, some prices have risen too sharply. The foreign trade and export task has not been fulfilled well. There are many problems left over from widening the highways.

Also present at the meeting were Wang Xiangtian, member of the standing committee of the provincial CPC committee and vice governor; and Jiao Linyi, chairman of the provincial people's congress standing committee.

CSO: 4006/111

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PROVINCIAL AFFAIRS

JILIN COMMENTARY ON GIVING PRIORITY TO REFORM

SK150510 Changchun Jilin Provincial Service in Mandarin 1030 GMT 13 Oct 85

[Station commentary: "Persistently Give First Priority to Reform"]

[Text] The key to persistently giving first priority to reform and creating favorable economic conditions for reform is to correctly handle the relations between reform and construction and to make reform and construction depend on each other for benefit and development. Fundamentally speaking, the target of reform is to serve construction while the arrangements for construction conductively serve the progress of reform. We should create more relaxed and steady economic conditions for reform by setting reasonable targets for economic increase, paying attention to controlling the scale of the investment in fixed assets, and stopping blind competition or excessive economic growth rate.

In order to persistently give first priority to reform and to create favorable social conditions for reform, we should not only persistently promote the socialist material civilization, but also vigorously strengthen the socialist spiritual civilization. We should firmly grasp the ideological and political work in order to make the people have ideals, a sense of discipline, education, and moral integrity, and should have the ability to resist and oppose the corrosive influence of capitalism, feudalism, and other decadent ideas, the bourgeois liberalization, and the influence of the ideas of putting money and individual's interests on top of everything else. Simultaneously we should further set up the social legal system, deal blows to and punish in line with the law the criminal activities of seriously violating the socialist economic and social order and of seriously damaging the interests of people, and vigorously put an end to the ugly tendency of seriously damaging the social order, in order to really create favorable social conditions for reform.

We should have a firm belief in reform with a view to giving it first priority. The key to conducting the reform of the economic system with a focus on urban reform is to enliven the enterprises, and in particular, the large and medium-sized enterprises. The aim for conducting the reform of the economic system is to set up a socialist economic system with Chinese characteristics. The reform of the economic system is an extremely arduous and complicated social project. Thus, in the course of reform, we must bravely

make explorations and take every step with caution. In conducting reform, we should first make explorations, then sum up experiences, and then make progress. Therefore, in the course of reform, we should pay attention to discovering and solving problems in a timely manner and unswervingly sum up experiences, and should continue to make progress.

CSO: 4006/107

PROVINCIAL AFFAIRS

JIANGSU'S LIGHT INDUSTRY SECTOR THRIVING

OW161055 Beijing XINHUA in English 1041 GMT 16 Oct 85

[Text] Nanjing, 16 Oct (XINHUA)--Half of the increase in light industrial output value in Jiangsu Province over the past year was realized by manufacturing new products, according to the local authorities.

During the period, the country's major manufactured goods producer developed more than 2,000 new products and 4,750 new specifications and packaging.

The output value of nearly 1,430 products newly put into industrial production came to 630 million yuan, accounting for 56 percent of the total increase for the province's light industry.

At a national light industry meeting earlier this year, Jiangsu's 81 products won the title of "fine new product", ranking second in China. They included purple-clay teapots and aluminum alloy bicycles.

"Xiangxuahai"-brand refrigerators won a provincial special-class prize, a certificate of good quality from the ministry of light industry and the "Jinlong" (golden dragon) prize for fine new products from the state economic commission.

The present production capacity of the refrigerators is 100,000 a year. With high efficiency and low noise, they sell well all over China.

Over the past few years, every city's light industrial bureau in the province has allocated large amounts of funds to develop new products. Rewards were also given to the inventors of new products and technology.

The Suzhou City electric fan plant takes only half a year to develop and put in production a new kind of product now, compared with up to two years previously.

Jiangsu's light industry produces 20,000 categories of products.

CSO: 4020/33

PROVINCIAL AFFAIRS

BRIEFS

ECONOMIC COMBINATION ESTABLISHED--With a view to strengthening economic relations among enterprises and regions, 15 prefectures and cities, including Xinxiang, Handan, Changzhi, Xingtai, Anyang, Linqing, Jincheng, Liaocheng, Jiaozuo, Hebi, and Puyang, in the contiguous areas of Shanxi, Hebei, Shandong, and Henan Provinces have decided to establish an official economic combination after full deliberation and consultation. On 27 September, the mayors and commissioners of the 15 prefectures and cities held a meeting in Handan and signed an agreement. The establishment of the economic combination was initiated by Xinxiang and Handan cities. The aims are: To open the door; to strengthen cooperation; to overcome one's shortcomings by learning from the strengths of others; to promote each other; to carry out multilateral or bilateral economic and technological cooperation at many levels; and to constantly increase the economic results of all prefectures and cities. The period of validity of the program for cooperation of this combination is temporarily fixed at 5 years. To strengthen ties, it has been decided that a standing organ be set up in Handan city. In November, a meeting of the planning committees, economic committees, and cooperation office directors will be held in Xinxiang city to discuss the specific cooperative items. [Text] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 5 Oct 85 HK]

GANSU MATERIAL SUPPLY PROBLEMS--Vice Governor Hou Zongbin has proposed that it is essential to handle well the relationship between micro and macro in material supply work; that is, it is necessary to enliven the work micro-economically and exercise macroeconomic control, and properly solve the current contradictions in material supply work. Vice Governor Hou Zongbin was speaking at the fifth northwest regional seminar on economic theory of material. He said: At present there are three contradictions in material supply work: 1) that between supply and demand; 2) that between the rising prices of production materials and the excessive burden shouldered by the enterprises; 3) that between reform of the material supply setup and the situation in economic development. He expressed the hope that Gansu's material supply workers would take this opportunity to learn the good experiences and methods of fraternal provinces and cities. [Excerpt] [Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 9 Oct 85 HK]

HAINAN EXPANDS ECONOMIC COOPERATION--According to the Hainan people's radio station, various cities and counties of the Hainan Administrative Region have scored remarkable successes in developing economic and technological

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cooperation with other parts of China. At present, units negotiating economic and technological cooperation business are from China's 28 provinces, cities, and autonomous regions. According to statistics, by the end of June this year, the region signed 405 agreements and contracts with other parts of China and attracted a large amount of capital from places other than the region, including more than 297 million yuan and more than \$74 million. Some 112 projects had been put into operation. They involved such industries as the chemical, machine-building, electronics, building materials, light, textiles, food construction, commerce, and trade industries. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 11 Oct 85 HK]

HEILONGJIANG MACHINERY, EQUIPMENT EXHIBIT--At 1520 on 10 October, Wang Hanbin, general manager of the Heilongjiang International Economic and Technical Consulting Company, telephoned the editorial department of the Heilongjiang radio station to tell them that on the morning of 10 October, the party and government leaders of our province visited the recently opened 1985 Heilongjiang international advanced industrial machinery and equipment exhibit. Wang Hanbin said: Joining the visiting tour were leading comrades of the provincial CPC committee, the provincial advisory commission, the provincial people's congress, and the provincial government. Li Lian, secretary of the provincial CPC committee, held that this exhibit was of quite an advanced level. While viewing the plastic machinery and equipment, Li Lian said: With such machinery and equipment, it would be easy to solve the machinery problem of the Daqing 300,000 metric ton ethylene project. Wang Luming, vice chairman of the provincial advisory commission, was very interested in the woodworking machinery on display. He said: We should make use of such machinery to process wooden products and to process and reprocess timber in order to solve our province's problem of comprehensively utilizing timber. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 10 Oct 85 SK]

ANHUI GOVERNOR VISITS HEFEI COMPANY--Anhui provincial and Hefei city leaders pay full attention to, and show deep concern for, the technological transformation plan for the Hefei Iron and Steel Company during the Seventh 5-Year Plan period. This plan has been approved by the State Council. Governor Wang Yuzhao and Hefei Vice Mayor Cui Zhongxun made an on-the-spot inspection of this company on the afternoon of 9 October. They said that specific problems arising in the course of the implementation of this plan must be immediately tackled and solved, with provincial and Hefei city assistance. [Excerpt] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Oct 85 OW]

LIAONING DELEGATION TO DPRK--At the invitation of the Administrative and Economic Guidance Committee of North Pyongan Province, the DPRK, a seven-member Liaoning provincial friendship delegation headed by Governor Quan Shuren left Dandong for a friendly visit to North Pyongan Province on the morning of 12 October. Upon leaving Shenyang on 10 October, the delegation was seen off at the railway by Peng Xiangsong, vice governor, and Zhang Rongmao, vice mayor of Shenyang city, as well as responsible persons of the relevant provincial and Shenyang city departments. Upon departure from Dandong city, the delegation was sent off at the Yalu Jiang bridge by

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Liu Zhongwen, secretary of the Dandong City CPC Committee, and Zhang Ping, mayor of Dandong city. [Text] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 12 Oct 85 SK]

HEBEI SITUATION IN NATIONAL ECONOMY--During the Sixth 5-Year Plan period, the province's national economy has witnessed a new situation of sustained, stable, and coordinated development thanks to conscientious implementation of the principle of readjusting, restructuring, consolidating, and improving the national economy. In 1984, the province's total social product reached 60.689 billion yuan, a 38.9 percent increase over 1980. From 1981 to 1984, the total social product increased at an average rate of 8.6 percent. During the same period of time, the national income of the province totaled 28.9 billion yuan, registering an average annual increase rate of 9.3 percent. The total provincial output value in industry and agriculture reached 47.689 billion yuan, achieving an average annual increase rate of 9.3 percent. Both of the targets set by the Sixth 5-Year Plan for the national income and the total provincial output value in industry and agriculture have been pre-fulfilled by 1 year. This year, these two targets are expected to increase by 10 percent or more. During the Sixth 5-Year Plan period, a heartening and gratifying change has taken place in all professions and trades and in the daily life of the people throughout the province. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 28 Oct 85 SK]

QINGHAI FIXED ASSETS INVESTMENT--In the first 4 years of the Sixth 5-Year Plan period, the amount of investment in capital construction in Qinghai Province was 2,985 million yuan. It is estimated that the amount of investment in capital construction in the province this year may be 1.02 billion yuan. The total amount of investment in the 5 years will exceed the quota stipulated by the Sixth 5-Year Plan by 11.1 percent. The large and medium-sized projects covered by the plan which have been completed, or parts of which have been completed, are the first phase of the Qinghai-Xiang railroad, the reconstruction of the Qinghai-Xizang road, and the third provincial woolen textile mill. In the first 4 years of the Sixth 5-Year Plan period, the amount of investment in capital construction in agriculture, animal husbandry, energy resources, communications, and education in the province increased by an average of 7.5 percent a year. The amount of investment in energy resources was the largest, and the total amount of investment in the first 4 years of the Sixth 5-Year Plan period reached 1.49 billion yuan. [Summary] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 30 Sep 85 HK]

THIRD QUARTER EXPORTS--Beijing, 11 Oct (XINHUA)--Beijing's exports in the third quarter of this year were worth U.S.\$160 million, equivalent to 27.7 percent of its annual plan, BEIJING DAILY reported today. September's exports hit a monthly record for this year, fetching 67 million dollars, the newspaper said. In the third quarter, U.S.\$120 million of textiles were exported from the Chinese capital. Machinery exports were worth U.S.\$9.75 million in the first nine months of this year, accounting for 91.6 percent of the annual plan. [Text] [Beijing XINHUA in English 1052 GMT 11 Oct 85]

CSO: 4020/33

## SHANGHAI CHANGES IN 6TH 5-YEAR PLAN PERIOD

OW101353 Shanghai JIEFANG RIBAO in Chinese 3 Oct 85 p 1

[A dispatch based on data provided by the Shanghai Statistics Bureau]

[Text] During the Sixth 5-Year Plan period, Shanghai has made all-out efforts to implement the principle of readjustment, restructuring, consolidation, and improvement and the policy of enlivening the domestic economy and opening to the outside world. Consequently, remarkable results have been achieved in the work of readjustment, and a good start has been made for restructuring the economy and opening to the outside world. Ten big changes have appeared in the whole economic and social outlooks.

1. The economy has shown a sustained and steady growth. In the early stage of the Sixth 5-Year Plan period, economic growth slowed down due to readjustment of the economy. Since 1983 however, the economy has developed at an increasingly fast rate each year. Calculated on the basis of comparable prices, the GNP growth rate for the first 3 years was about 7 percent. It was 11.6 percent in 1984 and is expected to reach 12.2 percent in 1985. For the entire Sixth 5-Year Plan period, the average progressive growth rate is 9.1 percent annually. As for the growth of the total value of industrial and agricultural production, the rate was maintained roughly at about 5 percent for the first 3 years. It rose to 10.1 percent in 1984 and is expected to exceed 11 percent in 1985. This means an average progressive growth rate of 7.3 percent annually.

2. Major sectors of the economy have become better proportioned. In the first place, agriculture and light industry have developed faster than heavy industry. During these 5 years, agriculture has grown at an average annual progressive rate of 12 percent, light industry 8 percent, and heavy industry 6 percent. In the gross value of industrial and agricultural production, the proportion of agriculture has increased from 3.9 percent in 1980 to 5.9 percent in 1985, and that of light industry from 50.6 percent to 53.1 percent, while the proportion of heavy industry has declined from 45.5 percent to 41 percent. In the total industrial production value, the ratio between light and heavy industries was 52.6 to 47.4 in 1980. In recent years, the ratio has been maintained generally at 56 to 44. Secondly, both consumption and accumulation have shown a rather big increase. However, the increase in the consumption funds, at an average progressive rate of 8.4 percent, is



faster than the increase in the accumulated funds, changing the previous tendency of one-sidedly stressing accumulation but ignoring consumption. The percentage of the consumption funds in the national income has been raised from 25.1 percent for the Fifth 5-Year Plan period to the present 30.2 percent.

3. Macroeconomic benefits have increased. The average per-capita GNP has increased from 2,738 yuan in 1980 to 3,259 yuan in 1984. Calculated on the basis of comparable prices, the average annual progressive increase is 6.9 percent. The labor productivity for the whole society shows an average rate of progressive increase of 4.3 percent each year. In 1984, a person with job contributed an average amount of 5,094 yuan to the GNP as against 4,634 yuan, the average annual figure for the first 4 years of the Sixth 5-Year Plan period. The 1984 figure was 23.5 percent more than the average for the Fifth 5-Year Plan period. Better results have been scored in the use of energy, and less circulating funds have been tied up. In 1983 financial revenue began to rise instead of declining or remaining at the same level. In 1983 the municipality's financial revenue growth rate was 1.8 percent. It reached 5.6 percent in 1984 and exceeded 10 percent in the first half of 1985. The municipality's financial revenue for the Sixth 5-Year Plan period is expected to increase 21 percent above that for the Fifth 5-Year Plan period and to overfulfill the planned target.

4. The tertiary industry has shown a faster growth rate than other industries. Calculated on the basis of comparable prices, the output value of the tertiary industry has increased progressively at an average rate of 13.2 percent annually for the Sixth 5-Year Plan period, higher than the rates of 5.5 percent and 8 percent for the primary and secondary industries respectively. The portion of the GNP attributed to the tertiary industry has increased from 21.1 percent in 1980 to about 26 percent in 1985, and the percentage of tertiary industrial workers in the total number of employed people has risen from 22.3 percent to 24.8 percent.

5. Several forms of economy have developed simultaneously. From 1980 to 1984 the number of staff members and workers of units owned by the whole people increased from 3,519,000 to 3,786,000, a 7.6 percent rise; that of collectively owned units from 950,000 to 1,088,000, a 14.5 percent rise; self-employed laborers in cities and towns increased from 12,000 to 37,000, a more than twofold increase; and the percentage of staff members and workers of collectively owned units and self-employed laborers in the total number of employed urban people increased from 21.5 percent to 22.9 percent. As of the end of 1984, over 98 percent of the production teams in the countryside of suburban counties had instituted various contract responsibility systems with remuneration linked to output, and 4,444 specialized households engaged in commodity production, and 68 new integrated economic establishments had emerged. Collective and private stores, restaurants, and various service trades are booming in both urban and rural areas. In the total amount of retail commodity sales, the proportion attributed to state-owned businesses declined from 64.5 percent in 1980 to 60.3 percent in 1984, supply and marketing cooperatives declined from 18.6 percent to 16.9 percent, collective stores increased from 16.6 percent to 21.5 percent, and private stores increased from 0.3 percent to 1.3 percent.

6. There has been a remarkable improvement in the structure of fixed asset investment. During the Sixth 5-Year Plan period, the scale of construction work in this municipality has been further enlarged with remarkable changes in the makeup of investment. First, the method for increasing reproduction has changed from external expansion to internal improvement. During the 28 years from the First 5-Year Plan period to the Fifth 5-Year Plan period, 31.4 percent of the fixed asset investment was used for upgrading and transforming equipment. During the Sixth 5-Year Plan period, the percentage was raised to 34.6 percent. During this period, capital construction investment accounts for 65.4 percent of the total investment, showing a decline from the 68.6 percent registered for the preceding 28 years. In capital construction investment, the percentage of investment in renovation and expansion projects has increased with each passing year. It was 25.3 percent in 1980 and rose to 36.9 percent in 1984. Second, attention has been paid to both productive and nonproductive construction instead of one-sidedly stressing productive construction. More money has been put into urban public utilities, housing construction projects, and cultural, educational, and public health projects, for which investment was inadequate in the past.

7. Economic and technological exchange with foreign countries has expanded quickly. Shanghai is one of the 14 coastal cities opening to the outside world. Its foreign economic and technological relations have developed from the single mode of import and export trade to a great diversity of forms, including the use of foreign capital, technology imports, contracts for work in foreign countries, and technology and labor exports. During the first 4 years of the Sixth 5-Year Plan period, this municipality signed 125 contracts to use foreign capital for nearly \$600 million. This included establishment of joint ventures with Chinese and foreign investment, cooperative operations, projects with solely foreign investment, international leases, and compensatory trade. It is expected that the amount involved in projects using foreign capital in 1985 will surpass the total for the preceding 4 years. In 1983 and 1984, the foreign trade department signed 650 contracts for imports of technology for \$630 million. Some of the projects covered by these contracts have already become operational and produced results. In the first half of 1985, an additional 144 contracts for imports of technology were signed. The amount involved in these contracts was close to \$200 million. Meanwhile, in the past few years Shanghai exported technology and labor of one kind or another to more than 30 foreign countries and regions and undertook the work of building over 100 projects abroad.

8. Domestic economic cooperation has developed in depth and breadth. During the first 4 years of the Sixth 5-Year Plan period, Shanghai formed some 1,000 integrated economic establishments with other provinces and municipalities, transferred to them more than 5,000 kinds of know-how resulting from scientific research, and offered them nearly 10,000 kinds of technological consultation service. Domestic economic cooperation has developed from the stage of compensatory trade and joint operations of production and sales to the present stage where most projects are based on technological cooperation and technological know-how is provided as a kind of investment. Since 1982, Shanghai has reached agreement with other provinces on some 2,000 cooperative

projects, over one-half of which are technological cooperative projects. In the meantime, this municipality has trained 60,000 people in various specialized fields for other provinces and municipalities.

9. The tempo in developing scientific research and education has quickened. The outlay in the first 4 years of the Sixth 5-Year Plan period for science and education was about 2.2 billion yuan, equivalent to 50 percent of the accumulative total in the 26 years prior to 1978. The percentage of such outlay in the total local expenditure rose from 14.8 percent during the Fifth 5-Year Plan period to 23.6 percent. The accumulation of investments in scientific research and education during the aforementioned 4-year period totaled 890 million yuan, approaching the grand total investments made in the 26 years prior to 1978. Such outlay rose from a figure equivalent to 4.5 percent of the total capital construction investments during the Fifth 5-Year Plan period to a figure equivalent to 5.4 percent of such investments. The number of students who enrolled in Shanghai's ordinary full-time institutions of higher learning from 1981 to 1984 reached 78,000, equivalent to one-quarter of the total number of college graduates since the founding of the nation. In 4 years, Shanghai has trained 2,973 postgraduate students. Major progress has been made in adjusting the structure of secondary education and popularizing primary education. Adult education has also spread. During 1984, 808,000 students, including 149,000 students who had received adult higher education, had enrolled in various schools in the municipality to receive adult education.

10. The living standards of urban and rural people have substantially increased. The average per-capita living expenses were 729 yuan in 1984, up 34.7 percent over 1980 with an average annual increase of 7.7 percent. This percentage is much higher than the average yearly increase of 2.3 percent during the 26 years from 1953 to 1978. The living expenses of the Shanghai residents continue to increase in 1985. A sample survey shows that the average annual per-capita income for a worker family has increased from 560 yuan in 1980 to 787 yuan in 1984. Even allowing for the rise in the cost of living, real income for workers and staff rose by 6.2 percent per year. At the end of 1985, people in the city had 6.53 billion yuan of saving deposits in the bank, more than double of the 1980 year-end figure.

During the Sixth 5-Year Plan period, gratifying results have been achieved in Shanghai's economic and social developments. This situation is the best since the founding of the nation. However, there are still some problems as we forge ahead. Mainly, our infrastructural facilities are backward and our economic relations have not been completely smooth. The setup of our production and the product mix are far from being rational. The speed in transforming our old enterprises is far too slow. At the same time, we still need to overcome difficulties in helping people solve their problems in food, clothing, housing, and transportation. During the Seventh 5-Year Plan period, we must quicken our pace in reforming the economic system in accordance with the strategic plan laid down by the party Central Committee and the State Council for Shanghai's economic development; open a new path for carrying out reforms and rejuvenation; bring into full play Shanghai's multifunctional role as a major municipality; and turn Shanghai into a pioneer in the whole country for the development of the four modernizations program.

ECONOMIC MANAGEMENT

SHANDONG MAKES PROGRESS IN TECHNOLOGICAL TRANSFORMATION

SK091500 Jinan DAZHONG RIBAO in Chinese 23 Sep 85 p 1

[Text] During the "Sixth 5-Year Plan" period, the industrial enterprises in our province have made great achievements in technological transformation. A total of 6.6 billion yuan was invested to conduct more than 7,000 technological transformation projects among these enterprises during the past 5 years. Comparing 1980 and 1985, the output value and the profits and taxes of these enterprises increased by 12.2 billion yuan and 2.45 billion yuan. Each 10,000 yuan of investment in technological transformation can add approximately 20,000 yuan to output value and 5,000 yuan to profits and taxes. The following gratifying changes have been noted:

The production of products in short supply and famous-brand products has increased. The product structure has been readjusted. The relations between the proportion of light and heavy industries have been brought into better balance. During the past 5 years, through technological transformation, the output capacity of more than 5,000 varieties of products in short supply has been enhanced, including beer, grain wine, wash machines, tape recorders, television sets, cotton and flax, chemical fiber textile products, soda ash, and tires. A total of 586 enterprises have readjusted the orientation of production.

Means of production have been strengthened and the technological level of industrial output has been improved. The province has renewed and transformed 46,000 single items and sets of outdated and backward equipment. A total of 255 more advanced technological production lines have been formed. These enterprises have applied more than 1,700 new technological items. The province has imported more than 700 technological items.

Through technological transformation, the quality of products has been improved and the upgrading and updating of products have been accelerated. During the past 5 years, the quality of more than 2,000 products has been improved remarkably, 143 varieties of products won state golden and silver awards, 517 varieties of products have been appraised as quality products by the ministries, and 1,683 varieties of products have been appraised as quality products by the province. Quality products account for 12.8 percent of the total products.

Energy and raw materials consumption have been reduced, while economic results have been increased. During the past 5 years, the province has completed more than 1,000 energy-saving transformation items and saved energy amounting to, or equivalent to, 4.3 million tons of standard coal.

CSO: 4006/106

ECONOMIC MANAGEMENT

BEIJING COMMERCIAL BUREAU DIRECTOR ON ECONOMIC CONTRACT LAW

SK170535 Beijing City Service in Mandarin 1000 GMT 28 Sep 85

[Text] Being entrusted by the municipal government, (Yu Chunkai), director of the Beijing Municipal Industrial and Commercial Administrative Bureau, delivered a work report to the standing committee meeting of the municipal people's congress. He said: During the past 3 years, our municipality has achieved fairly great progress in implementing and enforcing the economic contract law. With the deepening of the economic structural reform and the development of the commodity economy, the various lateral economic relations and contracts have greatly increased in number. The municipality as a whole signed economic contracts valued at more than 4 million in 1 year. This year, the contracts for summer grain purchases alone reached 411,000. The contract purchases of summer grain reached 200 million jin. At present, some 180 million jin of summer grain have been purchased according to contracts.

(Yu Chunkai) said: During the past 3 years, the management of economic contracts has increasingly aroused the great attention of the leaders at all levels. Some operational and competent departments and enterprises have established economic contracts management organs in line with the reality, appointed managerial personnel, and unceasingly improved the managing regulations.

(Yu Chunkai) said: In order to strengthen economic judicial work, the judicial departments of the industrial and commercial administrative organs of municipal districts and counties have established economic courts and arbitration committees. From January to August this year, the industrial and commercial administrative organs at all levels investigated and handled 202 cases of profiteering and breaking of laws by units whose illegal profits exceeded 1,000 yuan. A total of 4.36 million yuan was fined and confiscated. Most of these cases involved contract conflicts. Through the investigating and handling of cases of profiteering and breaking of laws, some 43 million yuan in payment for goods of 108 enterprises was recalled. This has protected the legal rights and interests of enterprises and safeguarded the normal economic order.

While touching on the current main existing problems, (Yu Chunkai) said: Judging from the situation of the entire municipality, a situation in which the people have a blunted sense of law and discipline, there are laws which

are not seriously followed and enforced, and the lawbreakers are not dealt with seriously still generally exists in the city. There are problems concerning the following aspects:

1. We have failed to fully understand the important significance of implementing and enforcing the economic contract law.
2. We have failed to sign contracts in accordance with law. Parties change the contracts or even arbitrarily scrap a contract.
3. Cases of using contracts to engage in illegal activities have increased in number.
4. The work of managing economic contracts is quite weak.

He also put forward relatively specific suggestions on how to further implement the economic contract law in the future, and how to systematize, legalize, and standardize the management of economic contracts throughout the municipality.

CSO: 4006/107

## SHAANXI DEFENSE ENTERPRISES CARRY OUT REFORMS

HK081554 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 5 Oct 85

[Text] The defense scientific and technological industrial enterprises in Shaanxi have put an end to closed-type production, and adopted the road of union and development through competition. In recent years, the defense scientific and technological industrial system of the province has carried out reforms in the managerial system, the product mix, and the managerial style directed at the long-standing situation of eating from the same big pot of the state, the monotonous pattern of their products, and poor economic results, and has stepped up the pace in converting defense industrial technology to products for civilian use, bringing greater internal vitality to the enterprises. More than 50 defense industrial enterprises in the province have broken through the boundaries in departments, trades, and areas. With the joint efforts of local enterprises and scientific research institutes, they have developed more than 10 new products for civilian use, such as the steam-flowing spinning machine, the water-spraying loom, motorcycles, and cameras. At the same time, more than another 20 defense industrial enterprises have participated in professional unions, with civilian enterprises playing the leading role, which has brought into play the advantages of the technical equipment of the defense industrial enterprises. Enterprises such as Xian Airplane Manufacturing Company, Hongqi Machine-Building Works, and Weiyang Diesel Engine Works have established cooperation in advanced technology with the United States, the United Kingdom, and Canada, which enables their products to enter the world market. In recent years, the annual gross output value of products for civilian use of the province's defense scientific and technological industrial system has increased by an average 20 percent and more. In the first 8 months of this year, the output value of products for civilian use of the system increased by 67 percent over the same period in 1984.

CSO: 4006/106



ECONOMIC MANAGEMENT

SICHUAN GOVERNMENT MEETS ON CONTROLLING MARKET PRICES

HK111259 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 10 Oct 85

[Text] According to SICHUAN RIBAO, on the evening of 8 October, the provincial government held a telephone meeting on the strict supervision of market prices and on maintaining the stability of market prices. On behalf of the provincial government, Jiang Zeting, deputy head of the provincial leading group for financial affairs and secretary general of the provincial government, worked out plans and made arrangements at the meeting.

He said: In this year's price reform, the province has integrated the opening up policy with the readjustment, and has made progress step by step. It has been smooth work and the results were good. However, since the credit situation went out of control following the fourth quarter last year and the growth of consumption funds was too rapid, state-run commerce and the supply and marketing cooperatives have not functioned well in terms of being the main circulation channels. Therefore, this has given rise to some problems which are harmful to the pricing reform.

On commodities that play an important part in the people's livelihood and that greatly affect market prices, such as grain, oils, pork, vegetables, and eggs, we must adopt both economic and administrative measures to ensure their supply and to maintain their prices.

Comrade Jiang Zeting stressed: To control market prices is an important issue of our present economic life. The principal leaders of the governments at various levels must grasp well this work. State-run commerce should function as the main circulation channel [words indistinct]. They should keep the market prices down and not forget about the proper roles of social commerce just because of earning more profits. Governments at various levels must organize the industrial and commercial, tax, commodity price, public security and public health departments, as well as banks, to supervise market prices in an all-round way. Departments should launch a full-scale examination on market pricing and resolutely check the malpractice of hiking prices.

CSO: 4006/106

## ECONOMIC MANAGEMENT

### TANGSHAN QUAKE VICTIMS RETURN TO BUSINESS

OW081429 Beijing XINHUA in English 1315 GMT 8 Oct 85

[Text] Shijiazhuang, 8 Oct (XINHUA)--More than 1,000 people in Tangshan maimed by the 1976 earthquake have returned to business, doing whatever useful to society.

In wheelchairs, they are operating businesses, selling porcelainware, ice-lollies and newspapers, mending shoes, repairing watches and making clothes.

Though without legs, we can still work with our hands, said forty-year-old Song Naixuan, who recently started a children's wear factory and a department store together with 200 other people like himself with a loan of one million yuan provided by the state and social welfare organizations.

He was one of the more than 2,000 maimed by the earthquake and had his legs amputated.

Song began his business first together with his wife, also a cripple, in 1983, making children's clothes on a hand sewing machine.

Tangshan City mayor Zhang Jingcheng said that the businesses started by the disabled people were tax-free and shops opened by them were provided with fast selling goods at preferential prices. They can also receive technical training, the mayor said.

He said that more than 80,000 people were seriously injured and most of them have recovered after careful treatment. But there are still more than 1,000 amputated patients who are unable to work.

These paraplegics received medical care at sanatoriums, subsidies and other forms of assistance provided by the government after the 1976 earthquake which took 242,000 lives and injured 160,000.

CSO: 4020/33

ECONOMIC MANAGEMENT

GANSU LEADER OUTLINES TASKS OF ECONOMIC REFORM

HK150253 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 14 Oct 85

[Excerpts] Chen Guangyi, deputy secretary of the provincial CPC committee and governor, proposed at the enlarged meeting of the provincial CPC committee standing committee on 14 October that the province must currently give priority to reforms in carrying out economic work, center efforts on improving economic results and product quality, fulfill and overfulfill the year's tasks, and prepare for next year's economic work. The present main tasks of reform are as follows:

1. Take both internal and external measures to invigorate the enterprises, especially the large and medium enterprises.
2. Speed up reforms in Lanzhou, Tianshui, and Wuwei cities, break down separations and blockades, harmonize vertical and horizontal relationships, and truly open up the urban and rural areas to each other.
3. Check on the implementation of the provincial conference on diffusing production and strive to fulfill the year's tasks of developing horizontal ties.
4. Organize forces to carry out investigation and study in accordance with the demand to switch from direct to indirect control, and put forward ways of using economic levers to exercise indirect control.
5. Check on the excessive burdens of the enterprises and the peasants and study ways of lightening these burdens.

Chen Guangyi demanded that the departments concerned continue to get a good grasp of controlling the scale of investment in fixed assets and consumption funds.

He stressed: The province must do everything possible to reap an all-round bumper harvest this year and take full advantage of the favorable weather to plant grass and trees. We must vigorously develop township and town enterprises, and make efforts to clear the circulation channels for rural commodity production. In industrial production, we must concentrate efforts on product quality and input consumption, improve management, promote technological progress, and improve the quality of the enterprises, so as to lay a sound foundation for development next year and in the future.

ECONOMIC MANAGEMENT

BRIEFS

BEIJING CONSOLIDATES MAJOR ENTERPRISES--According to a report from our station reporter, Beijing has scored remarkable achievements in consolidating its major companies and enterprises. Some 5,356 out of the 6,596 consolidated companies and enterprises have been allowed to continue operation. As for the 1,000-odd companies and enterprises where all kinds of problems exist, Beijing's industrial and commercial administrative departments have adopted necessary measures to handle the various cases. All enterprises run by party and government organs under the direct administration of Beijing Municipality or by party and government cadres have stopped operation. Some of them are now operating under the management of other economic departments. Some 509 of the 551 party and government cadres who concurrently held leading posts in various enterprises have resigned from their posts in the enterprises. The cases involving the remaining 46 [as received] cadres are at present being handled. In the course of consolidating companies and enterprises, the industrial and commercial administrative departments have discovered a number of enterprises which engaged in illegal practices and found a certain quantity of materials in short supply which they had illegally bought up or sold. They have revoked the licenses of 68 companies because of their illegal practices. Meanwhile, they are reorganizing those units which are handling the sale of important means of production and of badly needed durable consumer goods. [Text] [Beijing Domestic Service in Mandarin 1100 GMT 5 Oct 85 OW]

LIAONING CIRCULAR ON EXCESSIVE LEVIES--In order to lighten the unreasonable burden of enterprises, the Shenyang City People's Government recently issued a circular on checking the extraction of unwarranted extra levies, fees, and forfeit urges from enterprises. Recently, some departments in Shenyang city have indulged in fairly serious cases of levying extra fees or levying fees in disguised form on enterprises. A survey of 16 industrial enterprises in Shenyang city conducted by the Shenyang City Financial Bureau shows that since the beginning of this year, a total of 219,000 yuan worth of levies have been imposed on these 16 enterprises. Many plant directors have reflected that the excessive levies have left their enterprises out of breath. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Oct 85 SK]

1 November 1985

PRODUCTION, TRADE COMBINED--Tianjin, 12 Oct (XINHUA)--A newly organized company linking industry with trade and production with marketing opened in Tianjin today, attracting some 200 foreign entrepreneurs for the opening ceremony. The Tianjin electronics instrument and meter integrated import and export corporation has bypassed the traditional practice of indirect handling of foreign trade by specialized trade departments. The corporation will handle import and export trade, processing, assembly, compensation trade and joint ventures in the electronics field. [Text] [Beijing XINHUA in English 1634 GMT 12 Oct 85]

CSO: 4020/33

FINANCE AND BANKING

RISE, CONTROL OF CHINA'S NON-BANKING INSTITUTIONS DISCUSSED

Beijing JINGJI RIBAO in Chinese 9 Sep 85 p 3

[Article by Shen Kaiwen [3088 7030 2429]: "The Rise and Macroeconomic Control of China's Non-Banking Financial Institutions"]

[Text] In China, non-banking financial institutions refer to banking institutions outside the People's Bank and specialized banks such as trust companies, insurance companies, credit cooperatives, financial companies, leasing companies and so forth. For a long time, there were very few non-banking financial institutions in our country and all financial activities were concentrated in the banks. In recent years, with the advance of the reform of the financial structure, the non-banking financial institutions are rising rapidly in our country. How to assess the rise of the non-banking financial institutions and how the People's Bank as a central bank should exercise macroeconomic control over them is a matter that needs to be explored without delay.

I

In general, there are four types of newly established non-banking financial institutions in our country: 1. The trust and investment companies and leasing companies in various cities. This type of company, founded by different specialized banks and finance bureaus in various cities, accounts for most of the non-banking financial institutions. The trust funds of this type of company established by banks came from the trust deposits of various specialized banks; for those companies established by finance bureaus, the trust funds came from surplus of local financial revenue accumulated over the years. They serve mainly the industrial and commercial enterprises in various cities. 2. International trust and investment companies and leasing companies. This type of company is generally set up by the local governments. Some are established by foreign trade departments, with funds coming from local finance and local foreign exchange reserve. They mainly serve to help the localities import foreign capital and also serve foreign trade units and joint ventures with Chinese and foreign capital. 3. Banking [jinrong 6855 5816] companies and financial [caiwu 6299 0523] companies. Some of the founding units of this type of company are grassroots offices of the industrial and commercial banks, finance bureaus and local industrial and commercial enterprises. Their main task is to provide funds for the local industrial and commercial enterprises.

4. Urban credit cooperatives. Generally they are formed with the support of the grassroots offices of the industrial and commercial banks and with individual households and small collective industrial and commercial enterprises forming a partnership. They mainly serve individual households and small collective enterprises of a certain area.

Of the various types of institutions mentioned above, type one and type two institutions are basically of public ownership in character and type four institutions are generally of collective ownership in character. However, in type three category, some belong to public ownership and others are under collective ownership, the main difference between public ownership and collective ownership being in the source of funds.

The newly established non-banking financial institutions at present have the following four characteristics in general: Independent operations. Most of them have acquired legal person status, operated independently, assumed their own profits and losses and institutionalized their operations and management like an enterprise. Strong flexibility. They can flexibly cope with the needs of industrial and commercial enterprises without subjecting themselves to restrictions by professions and trades and by administrative districts. Services above everything else. They treat their customers, big or small, equally without discrimination. They constantly go deep among industrial and commercial enterprises, provide service at the doorstep; in doing business, they make an effort to treat customers warmly and to simplify procedures for the convenience of the customers. Highly trained personnel. They can do their job with high efficiency but fewer personnel.

## II

Why are non-banking financial institutions in our country rising so rapidly. The following four points are analyzed as the main reasons:

First, in order for our country to vigorously develop the socialist commodity economy, it is naturally necessary to break through administrative divisions and, with the city as the center, organize commodity production and circulation based on internal economic relations and develop transregional and transdepartmental agricultural-industrial-commercial economic integrated entities of various types. Horizontal economic development naturally calls for the opening of a new channel to bring funds together horizontally.

Second, they suit the needs of the multilevel economic structure. Because the level of development of the forces of production as a whole in our country is rather low, multiple economic components will be allowed to coexist in our country for a long time to come. For this reason, our country's economic structure is multilevel in nature, this has been particularly true in recent years when the individual economy in our country has made enormous progress and individual industrial and commercial households have increased sharply in the cities. Individual households doing business are in urgent need of the services of financial institutions to provide them funds and help in the settlement of accounts. However, limited by office space for operations at present, grassroots offices of the industrial and commercial banks have found

their ability to handle the many new accounts opened by individual depositors falling short of their wishes and they cannot give satisfactory services to the individual depositors. For this reason, more multilevel financial institutions are needed to suit the multilevel economic structure.

Third, they suit the needs of opening to the outside world economically, In the past, our country had relied solely on the Bank of China to bring in foreign capital. However, since the country is now open to the outside world economically, the export and import trade has increased markedly and a large amount of foreign capital is needed in the four modernizations drive in the country, and it is evidently incompatible by relying on the Bank of China alone. As a result, various cities are setting up international trust and investment companies one after another to import foreign capital through multiple channels to serve foreign trade.

Fourth, with the expansion of the decisionmaking power for localities and enterprises as a result of the reform of the economic structure, both the localities and enterprises now have more funds at their own disposal. To raise the utility results of that portion of surplus funds in the hands of localities and enterprises temporarily not being used and to invigorate the use of funds, some local financial departments and large enterprises have set up financial companies to put these funds to use.

Summing up the above-mentioned, the rise of the non-banking financial institutions in our country was the result of breaking through the traditional single state bank system in keeping with the development of the socialist commodity economy in the spirit of the CPC Central Committee guiding the reform of the economic structure. It has given play to the role of making good omissions and deficiencies in favor of the state banks. The nonbanking financial institutions will become an indispensable and important component of our country's banking system.

However, certain problems that have cropped up with the rise of the nonbanking financial institutions also merit our attention. In particular, did the rise of the nonbanking financial institution have anything to do with the loss of control of the credit scale and the excessively sharp increase in consumption funds in our country last year? We are of the opinion that the rise of the non-banking financial institutions was not mainly due to out-of-control credit, because when they just started out: 1. their capital was comparatively small; 2. their scope of business was limited; 3. they operated with prudence. But we cannot say they had nothing to do with it at all since some of the following problems did exist in some of the institutions: 1. Some of the trust loans were not brought into line with credit plans. Even now, some of the trust and investment companies still have not opened an account with the People's Bank nor have they delivered deposits reserve funds. As a result, the People's Bank also did not bring trust loans into line with credit plans for control. Some specialized banks allocated a considerable amount of funds to their subordinate trust and investment companies to use; some trust and investment companies granted whatever was requested and even used credit loans to satisfy the needs of enterprises for circulating funds thereby bringing about faster increase in credit loans. 2. Some violated financial policies. For instance,



a trust company of an industrial and commercial bank in a certain city printed gift certificates and forced collectives of industrial and commercial enterprises to buy the apportioned shares. Many industrial and commercial enterprises which could not use their welfare funds had to buy the gift certificates with special funds and use them as bonuses for the workers and staff members. By so doing, this company has not only violated financial policies, it has also increased consumption funds. 3. The guiding principles of some institutions were incorrect as they distributed profits made to workers and staff members as bonuses.

### III

In the face of the rise of nonbanking financial institutions, it is impressive for the People's Bank to strengthen their functions of a central bank and exercise macroeconomic control and management.

First, the People's Bank should include in its agenda the plan to strengthen control and management of the nonbanking financial institutions. It should equip personnel to strengthen the financial management offices and study and draw up measures for control and management as soon as possible.

Second, steps should be taken to consolidate and control those nonbanking financial institutions already in business and tighten registration procedures for those now in business but which have not yet registered; a "Permit for Financial Business" will be issued to them only after their qualifications are examined and approved. Violations of financial policies should be corrected within a prescribed period of time, trust loans incompatible with established policies should be recalled immediately, profits derived from those loans used as capital and divided should also be recovered. The People's Bank may adopt the following four measures to manage the nonbanking financial institutions:

1. By expeditiously publicizing the current financial policies and financial laws and regulations and guiding the direction for credit so that the institutions can develop their financial undertakings under the direction of the People's Bank.
2. By boosting management of trust funds. Various institutions should draw up annual and quarterly credit plans to be submitted to the planned credit office of the People's Bank. Deposits should be used to support extension of credit and breach of approved plans at will are prohibited. As for the deposits taken in by various institutions, provisions should be made for them to pay deposit reserve funds, in the meantime, interest rates for deposits and loans and the margin of fluctuation should also be fixed.
3. By strengthening the work of account supervision and auditing. Various institutions should regularly submit accounting reports and financial reports to the People's Bank. The account auditing office of the People's Bank should, on the other, expeditiously examine and approve the institutions' use of funds, profit and loss and the implementation of financial policies.
4. By tightening measures of economic sanction. The People's Bank must sanction those violating the financial policies each according to the seriousness of the case so as to learn from past mistakes to avoid future ones and maintain the normal financial order.

Third, examination and approval and control must be tightened from now on in dealing with those nonbanking financial institutions applying permits for opening business.

So long as the People's Bank can conscientiously strengthen macroeconomic control and financial management, the rise of the nonbanking financial institutions will certainly play a very significant role in invigorating finance and promoting the development of the socialist commodity economy.

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CSO: 4006/976

INDUSTRY

WUHAI BOOSTS INDUSTRY; SEEKS FOREIGN FUNDS

OW090925 Beijing XINHUA in English 0653 GMT 9 Oct 85

[Text] Hohhot, 9 Oct (XINHUA)--Wuhai, a desert area in western inner Mongolia, which had few inhabitants in the late 1950s, has now developed into an industrial city with a population of 250,000.

A regional official said here today that the city, in which 22 ethnic groups live, now has 97 factories and mining enterprises, which employ 59,000 workers.

Coal, electricity, cement, plate glass, caustic soda, machinery and electric equipment produced in Wuhai is playing a vital role in inner Mongolia's industrial development, said the official.

The city and its banners (counties) cover an area of 2,400 square kilometers.

Wuhai's verified coal reserves total 4.2 billion tons, and its annual coal output has already exceeded six million tons.

The city also has the largest cement factory in China's northwest, with an annual production capacity of 470,000 tons. Local officials are now considering introducing foreign investment to expand the plant.

Reserves of 40 minerals have been discovered there, including cement stone, limestone, marble, and mica.

Central and regional authorities are now making efforts to develop the city into a major energy, chemicals and building materials center in the country's northwest, the official said.

Plans are under way to build a chemical plant with an annual production capacity of 200,000 tons of caustic soda and 200,000 tons of polyvinyl chloride in the city.

To further boost development, Wuhia authorities have signed 47 contracts in recent years involving economic cooperation with other parts of China, and an investment of 20 million yuan for overhauling and expanding factories and launching new products.

Meanwhile, the city is seeking ways of attracting foreign investment in the form of joint ventures and compensation trade.

CSO: 4020/31

INDUSTRY

MINISTRY REPORTS BEVERAGE INDUSTRY GROWING

OW101443 Beijing XINHUA in English 1316 GMT 10 Oct 85

[Text] Beijing, 10 Oct (XINHUA)--China expects to produce more than 800 million litres of soft drinks this year--nearly tripling the output of 1980, according to the ministry of light industry.

Soft drinks are now served daily on the dinner tables of more and more urban residents, officials say.

As production of popular drinks such as soda water has increased in recent years, new varieties have been developed.

These include juices and fizzy drinks made from exotic fruits such as mihoutao (*actinidia chinensis*), wild jujube, cili (*rosa laevigata*) and seabuckthorn, as well as colas, protein drinks and fermented drinks--all new items on the Chinese market.

According to incomplete statistics, China has imported or co-produced with foreign firms more than 100 bottling lines for soft drinks.

So far, 70 cities with more than 300,000 residents have set up modern bottling lines.

Meanwhile, local enterprises have also imported fruit-juice presses, and laminated-packaging, plastic-bottle and metal-can production lines to improve mechanization. Before 1980, soft drinks were packed only in glass bottles.

Regulations governing quality standards for soft drinks and packaging, and rules concerning hygiene at production plants came into effect last year.

A ministry official said China would produce more than two billion litres of soft drinks by 1990.

CSO: 4020/31

INDUSTRY

IMPORTED EQUIPMENT AT BAOSHAN COMPLEX PAYS OFF

OW131030 Beijing XINHUA in English 0647 GMT 13 Oct 85

[Text] Shanghai, 13 Oct (XINHUA)--The imported advanced technology and equipment at one of China's largest iron and steel complexes at Baoshan near Shanghai are beginning to pay off.

According to steel experts at the complex, the going into operation of the giant iron and steel works has elevated China's metallurgical technology to the level of the late 1970s.

China has imported more than 300,000 tons of equipment and more than 400 items of advanced technology for the first phase of the Baoshan iron and steel complex, which included the coking, sintering, iron smelting, steel making, blooming, seamless steel making processes and the power plant, raw material dock, energy center and water treatment projects.

Apart from the seamless steel mill, all the equipment and technology were imported from Japan.

The No. 1 blast furnace has used 40,000 tons of imported equipment and materials and 46 technological patents. During the two weeks from its operation in 15 September, it produced 55,000 tons of iron. Its peak daily output may reach 10,000 tons. It has become one of the world's 25 largest blast furnaces each with a capacity of 4,000 cubic meters or above.

The three 300-ton top pure oxygen blown converters at the steel mill have used more than 70 items of imported technology. Since it went into operation on 20 September, it has produced nearly 30,000 tons of steel. The technologies can save an estimated 100,000 tons of metal scraps and 20,000 tons of refractory materials. When it reaches its designed capacity, productivity may be at least ten times that of the old steel mills in the country.

With 30 technical patents imported, the coking plant is now the largest and the most advanced in China. The four large coking over batteries produce 1.7 million tons of quality coke, enough for the blast furnaces in the complex to consume.

The complex' power plant, with two imported generating units each with a capacity of 350,000 kw, had been operating for 1,000 days without breaking-down by the end of July. Over the past three years since its operation, it has produced 10 billion kwh of electricity, with coal consumption far below similar generating units in China.

Most of the workers are working in bright and spacious control rooms and no back-breaking labor and clouds of dust can be seen.

According to steel experts at the complex, when the complex has reached its designed requirements, the average coal consumption for per ton of steel will be 0.89 tons of standard coal, the lowest in the country.

Now more than 70 steel works in other parts of the country have sent people to study the new technologies and the technicians in Baoshan itself are tackling 80 technological items to make the imported technology more adaptable to the needs of the complex.

CSO: 4020/31

INDUSTRY

ZHANG JINGFU ON NATIONWIDE INDUSTRIAL SURVEY

OWL61924 Beijing XINHUA in ENGLISH 1908 GMT 16 Oct 85

[Text] Beijing, 16 Oct (XINHUA)--China is to organize 10 million people for a nationwide industrial survey from 1986 through 1988, the government announced here today.

State councillor Zhang Jingfu said, "this is the largest industrial survey China has ever carried out since the founding of the People's Republic 36 years ago."

He made the announcement at a national meeting here today, participated in by more than 200 officials from regions and all industrial departments.

It will take three years to survey more than 400,000 urban industrial enterprises and collect various kinds of data from more than one million rural industrial units.

The survey will cover not only state-owned enterprises and collective and rural enterprises, but also industrial enterprises with exclusive foreign funds and joint ventures. It will also cover enterprises run by villages and individuals.

It will record the amounts, capacities, utilization rate, service life and energy consumption of industrial equipment. It will also investigate fixed assets and economic results, including net output value, consumption of raw materials, production costs, and profits and taxes.

According to the leading group in charge of national industrial surveys under the state council, the survey will be carried out in three stages:

First, preparation work between 1984 and 1985.

Second, survey in the first quarter of 1986.



Third, collection, analysis and study between 1986 and 1988.

This is the second nationwide industrial survey to be launched by the state council. The first was undertaken in 1950.

CSO: 4020/31

CONSTRUCTION

PRC TO BUILD 200 NEW BERTHS IN NEXT 5 YEARS

OW081256 Beijing XINHUA in English 1203 GMT 8 Oct 85

[Text] Beijing, 8 Oct (XINHUA)--China will expand its harbor facilities by building more than 200 new berths in the next five years.

The announcement was made by Zheng Guangdi, vice-minister of communications, at the current national meeting on communications in Beijing.

She said 104 of the new berths will be deep-water berths, able to accommodate over 10,000-ton class vessels. At the same time, China will construct 96 additional deep-water berths and 25 medium-sized ones.

There will be 1,200 berths by the end of 1990, including 321 deep-water ones, and the total handling capacity will increase from 330 million tons in 1985 to 550 million tons.

China will build not only large numbers of big harbors to serve as hubs, but also a number of medium-sized and small ports to develop regional economic growth.

Zheng stressed that her ministry will concentrate on expanding the shipping capacity for energy and foreign trade goods.

She said "accomplishment of the harbor construction plan for the next five years will enable China to meet the needs of shipping coal, oil, mineral rock, grain, timber, containers and other bulk cargoes. The construction will also help relieve the strains on the harbors."

"This is a great project and needs large sums of money. The government has decided to increase the amount of investment for harbor construction from the base of 8.7 billion yuna at the sixth five-year plan."

She said the government encourages provinces, municipalities, autonomous regions and enterprises to build their own ports, grounds and warehouses at the coastal areas. The Chinese transport departments will give preferential treatment to foreign companies which invest in building ports and manage joint ventures in China.

During the sixth five-year plan period, China has begun construction on 132 deep-water berths and completed 54, adding 100 million tons to the handling capacity.

China now has 1,000 berths, large, medium and small. The number of deep-water berths increased from 61 in 1949 when the republic was founded to 178 this year with a handling capacity totalling 330 million tons.

CSO: 4020/31

CONSTRUCTION

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1 November 1985

LOCAL, FOREIGN EXPERTS COOPERATE IN SHANGHAI

OW091003 Beijing XINHUA in English 0743 GMT 9 Oct 85

[Text] Shanghai, 9 Oct (XINHUA)--The Shanghai authorities, after soliciting advice from foreign scientists and planners, have drawn up an ambitious development scheme to fight pollution and build the city's first underground rail line.

Municipal authorities have just approved a 1.3 billion yuan scheme to clean the polluted Suzhou River which runs through the city, according to the municipal science and technology commission.

Chinese and Australian experts began joint research on the scheme two years ago. It will be funded by China, the world bank and Australia, and when completed, the river should be clean enough for fish to live in it.

Under the five-year scheme, sewage will be pumped to a treatment plant before entering the Yangtze River. The plant is designed to treat 1.4 million cubic meters of waste water a day--about 40 percent of the city's total sewage.

The project also involves the laying of a 30-kilometer pipeline and the building or overhauling of 54 pumping stations.

In addition, a feasibility study on treating rubbish will be delivered in mid-1986 by Chinese technicians and colleagues from the United States trade development program.

They propose building a refuse-treatment factory, which will use new burning and fermentation techniques to process 1,000 tons a day. Rubbish is a big problem in Shanghai, as up to 5,000 tons are carried untreated to suburban dumps everyday.

Local environmentalists are also cooperating with Japanese colleagues in planning effective measures to control air pollution--particularly dust and sulphur dioxide fumes.

A report on building Shanghai's first underground rail line was submitted by Chinese planners and colleagues from the Japan international cooperation agency last month.

The starting date for construction of the 13.5-kilometer subway, which will cost two billion yuan, has not yet been set.

Joint research programs with foreign scientists are also under way in other fields.

Following four years of joint research, Chinese and Japanese scientists have developed a new antibiotic which can effectively control rice diseases. They are applying for patents to their respective governments.

Shanghai's colleges are also working together with foreign counterparts on research programs covering plant-gene engineering, micro-computers and software, and medical apparatus.

Negotiations are under way for dozens of other joint research programs with foreign experts, said the municipal science and technology commission.

CSO: 4020/31

CONSTRUCTION

HOUSES BUILT IN SHANGHAI FOR PRIVATE SALE

OW100827 Beijing XINHUA in English 0752 GMT 10 Oct 85

[Text] Shanghai, 10 Oct (XINHUA)--More than 10,000 homes have been built for private sale in Shanghai this year in a bid to ease the city's serious housing problems, a local official said today.

The figure is about five times greater than last year, said the official from the municipal construction bureau. Sales of the apartments will begin this month.

Homes built by the state will be sold to workers, who will pay a proportion of the sale price--usually one third--with the remainder being made up by their employers and the state.

In addition, businesses and government departments are also required to sell part of their own housing stock. This provides a quick cash return which can then be used to build more homes.

The city's textile industry department sold more than 200 apartments in the first half of this year, and expects to sell another 180 by the end of December.

The total number of homes sold by factories and departments this year is expected to approach 6,000.

An average-sized apartment of two rooms and a kitchen covers about 50 square meters.

Shanghai, the largest industrial city in China, has a population of more than 11 million people, many of whom live in overcrowded homes.

To improve housing conditions, local authorities also offer financial support for cooperative efforts by collectives or state units and individuals to rebuild old and crowded residential areas. Most of these are being sold to the original owners or to those who participated in the schemes.

CSO: 4020/31

CONSTRUCTION

GUANGXI CONSTRUCTION PROJECTS AHEAD OF SCHEDULE

OW130520 Beijing XINHUA in English 0347 GMT 13 Oct 85

[Text] Nanning, 13 Oct (XINHUA)--Five major capital construction schemes in the Guangxi Zhuang autonomous region have been completed three months ahead of schedule, a regional official here said.

The projects include a 100,000-kilowatt generating unit at Dahua Hydroelectric Power Station, a 100,000-kilowatt generating unit at Heshan Thermal Power Plant, production facilities with an annual capacity of 110,000 tons of urea at Liuzhou Chemical Fertilizer Plant, a power plant attached to Guixian Sugar Refinery and another berth at Fangcheng Port.

The official of the regional committee of urban and rural construction and environmental protection said total investment in the schemes was 129 million yuan, of which 120 million came from the state and the rest from local funds.

Work began in 1975 on the Dahua Hydroelectric Power Station on the Hongshui River, about 150 kilometers from this regional capital. Its first 100,000-kilowatt generating unit went into operation in 1983. The second and third units, each with a capacity of 100,000 kilowatts, were installed last year. The first construction phase of the station was completed five months ahead of schedule after the fourth unit began operation in June.

Heshan Thermal Power Plant, near the coal mine in Heshan City, is the largest of its kind in the region. It has a combined generating capacity of more than 390,000 kilowatts since its seventh generating unit went into operation.

The berth in Fangcheng Port is the largest deep-water berth in the region suitable for accommodating 15,000-tons-class cargo ships.

Construction of supporting facilities has also been completed. They include a stockyard, loading and unloading machinery and water- and power-supply lines.

The official said that completion of the five projects would greatly help promote industry and agriculture in the area inhabited mainly by ethnic minorities.

As well as the major capital construction projects, Guangxi authorities are building a cement plant in Liuzhou with equipment imported from Denmark, and other hydroelectric power stations to make full use of the region's rich water resources.

CSO: 4020/31



CONSTRUCTION

BRIEFS

YUNNAN POWER PLANTS--Kunming, 7 Oct (XINHUA)--Yunnan Province has two new power plants under construction and another being renovated, according to local officials. Under construction are the Xiaolongtan Thermal Power Plant near Kaiyuan City with a generating capacity of 600,000 kw and the Lubuge Hydroelectric Power Station, 300 km from the provincial capital of Kunming, which is designed to generate 2.7 billion kwh a year upon its completion in 1990. Papingchun Thermal Power Plant near Kunming is being modernized. The province also has plans to build a hydroelectric power station at Manwan on the Lanchang River, with a capacity of 1.5 million kw. The mountainous province ranks first in hydropower resources in China with about 104 million kw, 77 million of which are readily available. It has also 16.6 billion tons of proven coal reserves. The province has only utilized 1.7 percent of its water resources, the officials said. Yunnan will have power generating facilities with a capacity of 2.25 million kw by 1990, and 5.4 million kw by 2000, the officials added. [Text]  
[Beijing XINHUA in English 0706 GMT 7 Oct 85]

CSI: 4020/31

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FOREIGN TRADE AND INVESTMENT

FRG RANKS FIRST AMONG TECHNOLOGY TRANSFER PARTNERS

Duesseldorf VDI NACHRICHTEN in German 13 Sep 85 p 11

[Article by W. Pester: "The Technology Transfer Is Booming: FRG Enterprises Lead the Way With DM1.8 Billion"]

[Text] The European countries are registering a countinuing increase in the technology transfer with the PRC. With 69 contracts amounting to about DM1.8 billion in the first half of 1985 alone, the FRG is leading all of China's partners in its technology imports, which totaled about DM6 billion (+400 percent) in the same time period. China wants to use its shrunken foreign exchange reserves more for the purchase of up-to-date technology and the good economic situation favors this trend. With 409 billion yuan (1 yuan = DM1.02), industrial production in the first half of the year increased by 23 percent over the same period last year. In the long term, German entrepreneurs see an opportunity in the China trade: "made in Germany" counts.

Overall, China's economic situation is seen as good. In accordance with various official statements on the 6-month results, this is especially true for the balanced production trend in light and heavy industry, for the relatively large increase in energy production, for the expansion in the urban and rural market supply, and for public finances, which are keeping pace with the production trend.

The dynamic economic trend of recent years continued in the first half of 1985. In particular, industrial production in the first 6 months of 1985 reached about 409 billion yuan. This is 54 percent of the 1985 planning goal and 23 percent more than in the first half of 1984.

For 25 of 30 of the most important consumer goods, in part substantial increases in production were achieved, so that with 51 to 49 percent the ratio between light and heavy industry remained unchanged from the previous year.

Chinese foreign trade likewise shows a substantial increase. It was, however, out of balance with respect to imports and exports. China's overall foreign trade increased in the first half of 1985 by 29 percent to a total of \$26 billion. Whereas Chinese imports increased by 70 percent, Chinese exports declined by a negligible 1.3 percent.

This imbalance is also reflected in China's foreign exchange reserves. Whereas \$16.7 billion in foreign exchange reserves were noted for the end of September 1984 and \$14.2 billion for the end of 1984, they were down to only \$11.3 billion at the end of March of this year. Foreign banks suspect that China's foreign exchange reserves were down to \$7.5 billion at the end of June of this year.

The Beijing leadership is seeking to limit the importation of consumer goods, principally from Japan, so as to use foreign exchange reserves more for the purchase of up-to-date technology. Thus, in the first half of 1985, the Ministry of Foreign Economic Relations and Trade (Mofert) approved 318 contracts for the importation of technology with a total value of about DM6 billion (+400 percent). With about DM1.8 billion and 69 concluded agreements, the FRG was in first place among all of China's partners.

At the top of the wish list are technologies for the production of precision electrical and analytical instruments, measuring instruments for industrial automation systems, and technology and components for super high-voltage circuit breakers. Import priorities in the electronics industry are clearly on the side of computer technology.

A gratifying aspect of the technology transfer with China is the growing willingness of the Western enterprises involved there to make the know-how of the China trade available to other firms as well. When, for example, Dr of Engineering Robert Bichara, chief of the China office of AEG and simultaneously business manager of AEG China Ltd. with offices in Beijing, Shanghai and Hong Kong, passes on his experiences in business dealings with China at a symposium in Munich, this, among other things, is of special interest not only for mid-level but also for small enterprises. Special symposiums, such as the "China--Market and Chances for the Electrical and Electronics Industry" symposium on the 26th and 27th of November 1985 arranged by the Academy for Economic and Social Communications Peter Schoeneberg, Aachen, as well as special events in China, such as the one on computer graphics organized by the AMK in Berlin together with the World Computer Graphics Association on the 4th through the 9th of October in Beijing, give enterprises open to the technology transfer or the China trade the possibility of taking the first step to the market in the Middle Kingdom. The Chinese leadership welcomes them as technology partners with products and production know-how.

Responsible officials in China are aware of the fact that quality must rise along with the modernization and improvement of production to guarantee lasting, stable and coordinated economic growth. Lu Dong, chairman of the national economic commission, announced strict quality controls for the third quarter of 1985 initially for 100 production areas and he did not even exclude the possibility of immediate production shutdowns if necessary.

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## FOREIGN TRADE AND INVESTMENT

## BRIEFS

SINO-CZECHOSLOVAK COOPERATION PROTOCOL SIGNED--Prague, 4 Oct (XINHUA)--China and Czechoslovakia signed a protocol of cooperation here today, mainly in mutually advantageous trade, building and reconstruction of industrial plants in China and production cooperation. The document was signed at the end of the first session of the Sino-Czechoslovak Commission for Economic, Trade and Scientific and Technological Cooperation, by Czechoslovak Foreign Trade Minister Bohumil Urban and Chinese Minister of Water Resources and Electric Power Qian Zhengying. The protocol envisages for the next period joint construction of gasworks, cement works and breweries and the reconstruction of open-hearth furnaces and a factory making trolleybuses. Cooperation in producing machine tools, baling presses and knitting machines will continue under the protocol. During the session, talks were held on a long-term trade agreement for the next 5 years between China and Czechoslovakia. During her visit here, Qian Zhengying, who is the Chinese chairman of the commission, met with Czechoslovak Premier Lubomir Strougal and other officials. /Text/ /Beijing XINHUA in English 0219 GMT 5 Oct 85/

CSO: 4020/27

TRANSPORTATION

NEI MONGGOL SCORES ACHIEVEMENTS IN HIGHWAY TRANSPORT

SK140143 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 6 Oct 85

[Text] During the implementation period of the Sixth 5-Year Plan, our region has achieved rapid development in highway transportation. The region's total investment in the capital construction of highways has been 1.8 times the volume invested in the implementation period of the Fifth 5-Year Plan, accounting for 57 percent of the total investment in this regard during the 32 years after the founding of the PRC.

During the implementation period of the Sixth 5-Year Plan, the region has shown an increase of 3,984 km in its total highway mileage. The more than 20 newly built large and medium-sized highway bridges, including the longest (Danhuang) highway bridge and the (Labowan) highway bridge over the Huang He, have played an important role in the economic construction of the region. The highway between Hohhot city and Jungar coal field, which is under construction, is expected to be completed in 1986. The region has increased the average rate of well-maintained highways from 32.3 percent in 1980 to 47.5 percent at the present. In highway transportation, the region has created a new situation in which simultaneous development among the transport business owned by the state, collectives, and individuals has taken shape. Over the past few years, the individual-owned transport enterprises throughout the region has possessed more than 4,000 cargo trucks thanks to the adequate policy and the support offered by various departments. At present, they have become the transportation forces unequalled in the region's transport front.

During the implementation period of the Sixth 5-Year Plan, the region has produced 884 passenger buses, 2,680 trailers, 90 water-tank trucks, and more than 1,170 cargo trucks. All of these vehicles have effectively supported the economic construction in various localities and departments.

CSO: 4006/110

TRANSPORTATION

BEIJING CENTER OF AIRFREIGHT SERVICE EXPANSION

OW061730 Beijing XINHUA in English 1514 GMT 6 Oct 85

[Text] Beijing, 6 Oct (XINHUA)--China's air transportation network, with Beijing as its center, has taken shape, according to the "Beijing review".

Airplanes can now fly directly from the capital to all provinces, municipalities and autonomous regions except Taiwan, and 650 cities in 150 countries and regions.

Beijing's import and export volume of airfreight accounts for more than 80 percent of the nation's total.

In recent years, the Beijing airfreight station has forged business ties with 54 Chinese transport companies and 20 international transport agencies.

Apart from receiving and delivering, storing, declaring at customs, distributing and transferring import and export goods, the Beijing airfreight station has been expanding its business scope to start express delivery service for goods from Beijing to Hong Kong, Tokyo, the United States and Europe.

A global express delivery service center, China's first, was set up at the Beijing hotel earlier this year.

Commercial documents, materials and small parcels can be delivered the same day when a request is made. Express mails from abroad can reach the consignees within 24 hours.

Beijing's total import and export volume of airfreight in 1984 increased 280 percent over that of 1981. Imports went up 290 percent, while exports rose 19.3 times. The total weight of the 82,478 express mails delivered in 1984 showed a 6.2 times increase over that of 1981.

CSO: 4020/33

TRANSPORTATION

CHENGDU AVIATION BUREAU ASSISTS XIZANG

HK101413 Lhasa Xizang Regional Service in Mandarin 1130 GMT 9 Oct 85

[Excerpts] The Chengdu Civil Aviation Administration Bureau has done a good job in promptly delivering technological personnel and various construction materials needed by the region's 43 priority projects assisted by other provinces and areas. It has thus been highly commended by the CPC Central Committee, the State Civil Aviation Administration Bureau, the regional people's government, and the assisting units.

The central leadership decided to assign to 9 provinces and municipalities the task of assisting the region's 43 priority projects. Since the beginning of the projects in March 1984, about 10,000 engineering and technological personnel who were assigned to assist the region in carrying out the 43 projects gathered in Chengdu, resulting in difficulties in air transportation to Xizang. Under such circumstances, the CPC Committee of the Chengdu Civil Aviation Administration Bureau held a special meeting urging all departments to give full cooperation to promptly and safely deliver personnel and materials for assisting Xizang. The cadres, staff and workers of the bureau said that they would exert all their efforts to do a good job in air transportation and would support Xizang's construction with practical actions.

The air route between Chengdu and Lhasa is some 1,300 kilometers. The weather is changeable on this route. To ensure safety in flights to Lhasa, the people of the Chengdu Civil Aviation Administration Bureau, from on-duty leaders to flying groups, from aviators to ground crew, made a special study of the weather in the route every day and prepared several proposals to meet an emergency.

Planning, navigation, and controllers departments were the pivot in commanding flights. To ensure delivery of the assisting goods to Xizang at an early date, they have readjusted flight frequency from time to time according to changes in passenger and freight volume. They increased the flights of the route from 4 weekly to 12 weekly last year and to 16 weekly this year. Particularly on 16 July this year, they put 2 Boeing 707 airliners into service, thus breaking the established practice of no afternoon flights between Chengdu and Lhasa over the past 20 years since the beginning of the air route.

From the commencement of the region's 43 priority projects last year to the end of July this year, the Chengdu Civil Aviation Administration Bureau finished more than 1,100 passenger and freight flights to Lhasa. During the period, the bureau delivered nearly 200,000 passengers and 5,000 tons of freight to Lhasa, accounting for nearly one-third of the total passenger and freight delivery volume in the first 19 years of the 20 years since the commencement of the air route between Chengdu and Lhasa and making great contributions to Xizang's construction.

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TRANSPORTATION

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1 November 1985

#### GUANGDONG SETS UP MARINE SALVAGE CENTER

OW110910 Beijing XINHUA in English 0712 GMT 11 Oct 85

[Text] Guangzhou, 11 Oct (XINHUA)--A marine search and rescue center has gone into operation in this capital city of Guangdong Province, South China.

The center is in charge of salvaging vessels and aircraft which crash in the south China sea, said Kuang Ji, director of the center, who is also a vice-governor of the province.

The center combines the efforts of the Guangzhou salvage company, the Guangzhou branch of the China Civil Aviation Administration, People's Liberation Army troops stationed in the province and various transportation departments.

The Guangzhou salvage company has 48 salvage tugs distributed among the cities of Shantou, Shenzhen, Zhanjiang and Beihai, and Hainan Island.

The center has set up an emergency communications network covering the coastal cities of Guangzhou, Zhanjiang, Haikou and Shantou. It has established ties with its counterparts in Hong Kong.

The Chinese government has approved the international convention on maritime search and rescue. China joined on 24 July this year.

CSO: 4020/33

TRANSPORTATION

BRIEFS

FREIGHT TRANSPORT SYSTEM UPGRADED--Chongqing, 16 Oct (XINHUA)--Chongqing, Sichuan Province, a communications hub on the upper Yangtze River, is promoting development of foreign trade by upgrading coordinated river-and-sea freight transport. Now imports can be shipped upstream on river freighters and go through customs in Chongqing, and exports can be cleared in that city instead of having to go through coastal ports. In the year beginning July 1984, more than 34,000 tons of imports and exports have been shipped from Chongqing. Shipments from Nagoya and Yokohama in Japan to Chongqing now take one month less than when they had to be transferred at Shanghai Port and costs have been cut 20 percent. Chongqing's river-and-sea coordinated transport has been approved by the general administration of customs of the People's Republic of China. [Text] [Beijing XINHUA in English 1046 GMT 16 Oct 85]

DEEP-WATER HARBOR OPENS--Nanjing, 14 Oct (XINHUA)--Nanjing Port was opened to ocean-going ships on Sunday when a new, deep-water harbor went into operation here. The harbor, which cost 80 million yuan to build, was one of the key state schemes in the sixth five-year plan (1981-1985). It has three berths for 15,000-ton ships, and a total annual handling capacity of 1,100,000 tons of goods. A port official said today that the harbor would be used mainly to handle imports and exports to and from Jiangsu Province and areas along the Yangtze River. It would also ease congestion at Shanghai Port. Some 48,000 square meters of stockyards, 67,000 square meters of warehousing and other facilities have been built to serve the new harbor, which will be expanded in the future. [Text] [Beijing XINHUA in English 0919 GMT 14 Oct 85]

HEBEI APPRAISES NEW AIRPLANES--The Model Qingting No 6 and Model Qingting No 58 airplanes for farm use were successfully researched and produced by the Huabei machinery plant in Shijiazhuang City, Hebei Province. On 13 September, the state appraisal committee composed of 80 delegates from 27 units of China held a meeting to appraise these two airplanes in Shijiazhuang City. Leading comrades of the Ministry of Astronautics Industry announced at the meeting that these two airplanes had passed the state technical appraisal and that they agreed to mass produce such airplanes. [Summary] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 14 Sep 85 SK]

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ORG: World Economics and Politics Institute, Chinese Academy of Social Sciences  
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pp 53-59

ABSTRACT: Centralized management and flexibility, in Czechoslovakia's view, are essential to a national economic planning. In the planned economy, elements in the goods production category are still important, such as value, price, profit, wage, credit loan, interest, currency and market. Prices of the means of production and consumer goods are regulated by the state, but this price control does not mean arbitrarily setting price levels and ratios. Three principles are observed in pricing policy: price unity, relative stability and centralized adjustments. In the price system, there are wholesale prices (in Czechoslovakia, it actually means "factory prices"), commercial prices (meaning "wholesale prices"), retail prices, purchasing prices, export prices, and enterprise prices (meaning "internal prices" within an enterprise, for accounting purposes). In Czechoslovakia's experience, a compromise is struck between rigid plan management and the market mechanism. Annual price hikes of energy sources and raw materials are absorbed by the enterprise, but one-time price boosts are taken care of by the state. Political, economic and social factors should be contemplated when retail prices are raised. In the case of higher wholesale over retail price, price subsidy or tax reduction should be activated. However, price subsidy should not be excessive and is used only as a temporary measure. Price formation is affected by the law of value, supply and demand, as well as currency circulation, which is controlled at 7.2 percent, an average annual rate of increase in the decade 1974 through 1983.

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